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# DAILY REPORT

## CONTENTS

*China*

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### PRC INTERNATIONAL AFFAIRS

#### GENERAL

LIAOWANG on 'Skirmish' Prior to U.S.-USSR Summit [OVERSEAS EDITION 6 Oct]	A 1
Tian Jiyun Remarks on Foreign Investment	A 3
PRC Hybrid Rice Success Example for World	A 4

#### UNITED STATES

Secretary of Defense Weinberger Continues Visit	B 1
Meets Zhang Aiping	B 1
Honored at Banquet	B 1
Meets Deng Xiaoping	B 2
More on Deng-Weinberger Meeting	B 2
HSIN WAN PAO on Weinberger's PRC Visit [8 Oct]	B 3
Wang Computer Joint Venture To Begin Production	B 4
Wang's Autobiography To Be Published in Chinese	B 5
Deng Xiaoping Meets Wang Laboratories President	B 5
GUANGMING RIBAO on U.S. 'False Report' on Libya [5 Oct]	B 6
Shultz Meets Chinese Encyclopedia Delegation	B 7
Tian Jiyun Meets American Stock Broker	B 8
NPC's Peng Chong Meets U.S. Lawyers Delegation	B 8

#### SOVIET UNION

Radio Cites PRC Spokesman on Reykjavik Summit	C 1
Call for Soviet Afghan Withdrawal Reiterated [AFP]	C 1

#### NORTHEAST ASIA

Text of Li Xiannian Speech at Pyongyang Banquet [RENMIN RIBAO 4 Oct]	D 1
Text of Kim Il-song Speech at Banquet for Li [RENMIN RIBAO 4 Oct]	D 3

## MIDDLE EAST &amp; AFRICA

Li Peng Continues Tour of 3 African Countries	I 1
Meets Egyptian Prime Minister	I 1
Cooperation in Dam Construction	I 1
Feted by Energy Minister	I 1
Praises Aswan Dam as Example	I 2
Meets President Mubarak	I 2

## PRC NATIONAL AFFAIRS

Death of Marshal Liu Bocheng on 7 Oct Reported	K 1
Hu Yaobang Urges Improvement of Cadre Quality [MING PAO 8 Oct]	K 1
GUANGMING RIBAO Assesses Overcentralized Power [22 Sep]	K 2
GUANGMING RIBAO Stresses Spiritual Civilization [29 Sep]	K 6
LIAOWANG on Spiritual Civilization, Opening Up [OVERSEAS EDITION 8 Oct]	K 8
Deng Confronts Chen Yun in Standing Committee [CHENG MING 1 Oct]	K 10
Zhang Zingfu Supports Building of Space Industry	K 16
Telecommunications Training Center Commissioned	K 17
Nuclear Power Plant Equipment Contracts Approved	K 18
Foreign Firms May Get Income Tax Reductions	K 18

## PRC REGIONAL AFFAIRS

## EAST REGION

Li Guixin Attends Anhui Meeting on Petitions [ANHUI RIBAO 13 Sep]	O 1
Fuzhou Announces Preferential Laws for Investors [HONGKONG STANDARD 29 Sep]	O 1
Jiangsu Cadres Urged To Study CPC Resolution	O 3
Jiangxi Issues Circular on Placing Soldiers	O 3
Shandong Prepares for Village Party Rectification	O 4
Shanghai Sets Up Fund To Aid Waiting Workers	O 5
Shanghai Residents Lead in Earning, Spending	O 5
Shanghai's Rui Xingwen Approves PLA Job Training	O 6
Rui Xingwen, Jiang Zemin at Shanghai Meeting	O 6
Zhejiang Draws Up Economic, Social Program	O 7

## TAIWAN

Radio Commentary Views Weinberger's PRC Visit	V 1
Martial Law, Party Ban 'May Be' Lifted in 1987 [CHINA POST 4 Oct]	V 2
DPP Meets To Discuss Dialogue With KMT [CHINA POST 3 Oct]	V 2
To Renew Talks [CHINA POST 4 Oct]	V 3

New Political Party To Protest Illegal Party [AFP]	V 3
Premier Yu Views Establishing New Parties	V 4
Executive Yuan Reiterates Commitment to Democracy	V 5
Vice President Urges Anticommunist Efforts	V 5
Parliamentary By-Elections Slated for Dec, Jan [CHINA POST 28 Sep]	V 6
Restrictions To Be Lifted on Gold Trading	V 7

LIAOWANG ON 'SKIRMISH' PRIOR TO U.S.-USSR SUMMIT

HK080959 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 40, 6 Oct 86 p 26

["Special dispatch" from Washington by Shi Lujia (2457 7627 0163): "A Skirmish Prior to the U.S.-Soviet Summit"]

[Text] On 30 September, Washington and Moscow simultaneously announced that U.S. President Ronald Reagan and Soviet leader Mikhail Gorbachev would hold a meeting on 11-12 October in Reykjavik, the capital of Iceland. The agreement was reached after long consultation between the U.S. and Soviet foreign ministers.

On 19-20 September, the U.S. and Soviet foreign ministers held a 2-day meeting in Washington. They discussed preparations for the proposed second meeting between the two leaders, as well as the relevant issues. The meeting was held at a time when a new storm arose in bilateral relations between the United States and the Soviet Union. In the last 10 days of August, the United States arrested a Soviet working at the UN headquarters on charges of spying. One week later, the Soviet Union arrested a Moscow reporter of a U.S. magazine on charges of spying. Thereupon, citing the excessive size of the Soviet UN delegation as a reason, the United States ordered 25 Soviet diplomats in the Soviet UN delegation to return home within a specified time. This also aroused a strong Soviet reaction. Under these circumstances, the two foreign ministers devoted much time on this issue during their 2-day meeting. President Reagan also had a special meeting with the Soviet foreign minister, personally expressing his "strong dissatisfaction" over the Soviet charge that an American reporter had committed the crime of spying. Soviet leader Gorbachev also delivered speeches, calling on the United States not to create new obstacles for the summit. In their discussions, however, both sides were still unable to find a proper solution. After the meeting, U.S. Secretary of State George Shultz told reporters that before the Soviet Union let the U.S. reporter return home, "it would be unimaginable to hold a fruitful summit meeting."

Though the storm in bilateral relations produced strong repercussions, it was nevertheless only an episode in U.S.-Soviet relations.

The Soviet Union indicated from the start that the second summit should not merely be an occasion for "shaking hands and getting to know each other," as happened last year, and that there should be some concrete results, particularly the signing of certain agreements on arms control. While the foreign ministers were holding their meeting, Soviet leader Gorbachev reaffirmed this stand. The United States did not approve of the Soviet stand on setting a "precondition" for dialogue at the highest level, but it could not but indicate that the meeting should be "significant" and "fruitful." However, although both sides have made numerous efforts since the beginning of this year, they have failed to make a major breakthrough on the disarmament issue.

It is reported that the major obstacle to the disarmament talks is still Reagan's "Strategic Defense Initiative," or the "star wars" program. In his letter to Reagan on 23 June, Gorbachev indicated his readiness to drastically reduce the offensive weapons of the two countries and to allow the United States to conduct research and experiments on "star wars" in laboratories on the condition that the United States must agree to extend the validity of the ABM treaty signed in 1972 by 15-20 years. The treaty prohibits the two countries from "trial producing, testing, and deploying" a nuclear defense system based in space. For this reason, the United States held that Gorbachev's proposal was still essentially aimed at foiling the U.S. "star wars" program and, at the same time, winning time for the Soviet Union to develop its own space defense system.



To counter the Soviet proposal, in his reply on 25 July, Reagan expressed readiness to postpone the deployment of the "star wars" system by 7 and 1/2 years. This appeared to be a concession on the part of the United States. However, according to an estimate by an American authoritative person, this space defense system can be deployed in the mid-1990's at the earliest. For this reason, the Soviet Union held that Reagan's concession did not have any practical significance. In truth, Reagan has also repeatedly and explicitly stated that he would never let the "star wars" program fizzle out through the talks.

The United States also held that the Soviet Union also had its eyes on the "star wars" program when it repeatedly announced unilateral moratoriums on nuclear tests and launched a powerful propaganda and diplomatic offensive in an attempt to force the United States to stop the nuclear tests. This is because some components of the space weapons can be made through nuclear tests. It is precisely for this reason that the United States resolutely refused to assume responsibility for suspending nuclear tests.

As for the disputes on some "hot spots" in the world, both sides conducted numerous consultations on the situations in Central America, the Middle East, Afghanistan, East Asia, and southern Africa. However, because the global strategies and fundamental interests of the two countries are fundamentally opposed to each other, they failed to reach any agreement.

In spite of the numerous difficulties and obstacles mentioned above, out of their own needs and pressure at home and abroad, both sides apparently did not want to lightly discontinue the momentum of a high-level dialogue. That is why the meeting of the foreign ministers was still held although it had been postponed for several months and although new tension emerged in the relations between the two countries. Shultz told reporters that, through his 2-day meeting with the Soviet foreign minister, the U.S. side noted the "potential possibility" of making progress on such issues as reducing the number of intermediate-range nuclear weapons in central Europe, setting up centers for reducing the danger of nuclear war, and preventing the proliferation of chemical weapons. He indicated that after the question of the U.S. reporter's arrest was resolved, the United States was still ready to accept Gorbachev's visit. The Soviet side also indicated that although the United States had conducted such a "provocative" act as expelling a Soviet diplomat, the Soviet Union would not lose its reason in the face of the U.S. provocation. Soviet Foreign Minister Eduard Shevardnadze said that the Soviet Union hoped for a meeting and that the 2-day meeting between him and Shultz had, "to a certain extent, laid a groundwork for the holding of a fruitful summit meeting."

A new round of U.S.-Soviet disarmament talks is being held in Geneva. All indications show that given the difficulty for major breakthrough in the two major areas of Geneva disarmament talks -- strategic nuclear weapons and the space weapons -- the United States and the Soviet Union are likely to seek concessions on intermediate-range nuclear weapons and other, relatively speaking, secondary issues in order to create conditions for continuing dialogue at the highest level.

On the evening of 28 September, Shultz and Shevardnadze again held a 3-hour meeting at which they reached an exchange agreement. According to this agreement, the Soviet Union would set free Nicholas Daniloff, an American reporter who had been charged with carrying out spying activities, and the United States would allow Gennadiy F. Zakharov, a Soviet stationed at the United Nations who had been charged with spying, to leave the United States. Later, both sides announced the time and place for a second U.S.-Soviet summit.

However, when making this announcement, Reagan said: My meeting with Gorbachev "will not be a high-level but only a face-to-face meeting. The unanimity we have reached is that we are ready to hold a meeting." At present, the stands between the United States and the Soviet Union on such major issues as arms control and regional disputes are still wide apart and there are deep differences. Undoubtedly, a face-to-face dialogue will help ease tensions between the two countries. However, observers are not excessively optimistic about whether the two countries will be able to attain substantial results on substantial issues.

#### TIAN JIYUN REMARKS ON FOREIGN INVESTMENT

OW081619 Beijing XINHUA in English 1502 GMT 8 Oct 86

[Text] Beijing, October 8 (XINHUA) -- Chinese Vice-Premier Tian Jiyun disclosed here today that the Chinese Government will soon announce a decision on the encouragement of foreign investment.

The decision covers land use, labor service expenses and taxes. Those foreign investors who earn foreign exchange will be free to repatriate it, and those who use their foreign exchange earnings to reinvest in China will enjoy more favorable treatment.

Tian made these remarks at a meeting with a delegation from the Wilton Park Conference Center of Britain, led by Edmund Dell, and a delegation from the Los Angeles world Affairs Council of the U.S., led by Roy Anderson, here this afternoon.

Answering questions raised by the visitors, Tian Jiyun said China hopes more foreign entrepreneurs will set up enterprises and invest in China.

Tian said at present many departments are involved in each contact with foreign countries. So to discuss or decide a project takes a long time.

Another problem is that Chinese departments engaged in trade have no knowledge of production, and producers do not know the markets.

These problems will be gradually solved through reform he said. As an interim measure, the central authorities and all provinces and cities are preparing to establish coordinating organizations with competent authorities in charge and various foreign trade departments included.

China is now studying an implementation plan for foreign trade structure reform, Tian said.

The two delegations are here to take part in the second tripartite meeting with the Chinese People's Institute of Foreign Affairs. The tripartite meeting is a channel for many-sided dialogue established by the three organizations last year. The first meeting was held in London last year.

PRC HYBRID RICE SUCCESS EXAMPLE FOR WORLD

OW082359 Beijing XINHUA in English 1853 GMT 8 Oct 86

[Text] Changsha, October 8 (XINHUA) -- China's success in growing high-output, hybrid rice points the way toward producing more food on diminishing farmland in the rest of the world, an international food expert said here today.

M.S. Swaminathan, director-general of the International Rice Research Institute, called China's experience with hybrid rice, with an output 20 percent higher than conventional varieties a "significant technical breakthrough." The institute is based in the Phillippines.

Other countries can benefit from China's experience, not only in hybrid rice, but also in agricultural production as a whole, said Swaminathan, chairman of the first international symposium on hybrid rice now in session in Changsha, where the high-output variety was developed.

Most of the Third World is short of arable land while population continue to grow, he said. In the future, according to Swaminathan, "We must produce more grain on less land."

A frequent visitor to China, Swaminathan said the country's initiative-based responsibility system has promoted hybrid rice production. By combining public ownership of land with individual initiative, he said, "the system has yielded good results."

Drawing on China's experience, other countries have introduced similar systems and achieved "substantial increases" in agricultural production, according to Swaminathan, recipient of this year's Albert Einstein World Science Award of the World Cultural Council.

Science and technology alone cannot end hunger and malnutrition in Third World countries, he said. "Correct policies must be adopted."

SECRETARY OF DEFENSE WEINBERGER CONTINUES VISIT

## Meets Zhang Aiping

OW081122 Beijing XINHUA in English 1104 GMT 8 Oct 86

[Text] Beijing, October 8 (XINHUA) -- Chinese Minister of National Defense Zhang Aiping and visiting U.S. Secretary of Defense Caspar Weinberger conferred on worldwide issues and bilateral relations here today.

A Chinese Defense Ministry official disclosed that they had spent more than three hours to exchange views on "a wide range of international issues" in the Diaoyutai State Guesthouse.

Reviewing relations between the Chinese and U.S. Armed Forces, the two military leaders "expressed satisfaction at the progress made so far, the official said. They also hoped to see consolidation and further growth of such relations."

Attending the talks on the Chinese side were Xu Xin and He Qizong, deputy chiefs of General Staff of the Chinese People's Liberation Army, Ding Henggao, minister in charge of the Commission of Science, Technology and Industry for National Defense, Liu Huaqing, commander of the Chinese Navy, and Wang Hai, commander of the Air Force.

Mr. Weinberger was aided at the talks by U.S. Ambassador to China Winston Lord and senior military officers accompanying him to China.

A dinner is in store for the U.S. defense chief by Zhang Aiping in the Great Hall of the people later today.

## Honored at Banquet

OW081533 Beijing XINHUA in English 1517 GMT 8 Oct 86

[Text] Beijing, October 8 (XINHUA) -- Chinese Defense Minister Zhang Aiping and his wife, Li Youlan, gave a banquet to welcome the U.S. Secretary of Defense and Mrs. Weinberger at the Great Hall of the People here today.

Zhang Aiping said in a toast that Weinberger's first visit to China in 1983 and his own trip to America in 1984 paved the way for further growth of the military relationship and military technology exchanges between the two countries.

Zhang said that his talks with Weinberger earlier today had yielded positive results. Weinberger will continue to have talks with Chinese leaders tomorrow. He is also scheduled to visit some Chinese military units. All these activities will be beneficial to the increase of contacts between the armed forces of the two countries.

Weinberger said in his toast that his talks with Zhang Aiping had been fruitful.

Noting the steady growth of the military relations in the past three years, he said exchanges of visits by the top military leaders of both countries have contributed to improved friendship and mutual understanding.



Talking about international issues, Weinberger said that China and the United States, as members of the Pacific Ocean community, share an interest in maintaining peace and stability in the region, and he welcomed friendly dialog to that end between the two countries.

On had were Vice-Minister of Foreign Affairs Zhu Qizhen, Chinese Ambassador to the U.S. Han Xu, and U.S. Ambassador to China Winston Lord.

#### Meets Deng Xiaoping

OW090314 Beijing XINHUA in English 0307 GMT 9 Oct 86

[Text] Beijing, October 9 (XINHUA) -- Deng Xiaoping, chairman of the Central Advisory Commission of the Chinese Communist Party (CPC) and the Military Commission of the CPC Central Committee, met here this morning with United States Secretary of Defense Caspar Weinberger.

Before going into a closed session, Deng called Weinberger an "old friend" with "warm-hearted feelings about developing Sino-U.S. relations."

Deng, who is a chain smoker, offered cigarettes to Weinberger and to Winston Lord, the U.S. Ambassador to China. Both declined.

Lord said as a former U.S. secretary of health he did not smoke.

"Then you are both good persons," Deng said with a smile.

Weinberger said that although he had never been a secretary of health, he had been a budget director.

"In that case," said Deng, "We have shared experiences in both military and financial affairs, and I used to be responsible for finance and transport."

But, he said, holding a cigarette, "it is a pity that I have never been a minister of health," Deng replied.

Chinese State Councilor and Foreign Minister Wu Xueqian met Weinberger and Lord earlier this morning. Details of the meeting have not yet been disclosed.

#### More on Deng-Weinberger Meeting

OW091052 Beijing XINHUA in English 0647 GMT 9 Oct 86

[Text] Beijing, October 9 (XINHUA) -- Chinese leader Deng Xiaoping had a 30-minute meeting with visiting U.S. Secretary of Defense Caspar Weinberger here today.

Deng, who is chairman of both the Central Advisory Commission of the Chinese Communist Party (CPC) and the CPC Central Military Commission, said the Sino-U.S. relations are good as a whole.



He appreciated Mr. Weinberger's efforts to promote relations between the two countries and particularly to expand the relations between the two armed forces.

Sharing Deng's assessment of bilateral relations, Mr. Weinberger noted that he had had very good talks with Chinese Minister of National Defense Zhang Aiping yesterday.

This shows that the relations between the armed forces of the two countries have good prospects, Mr. Weinberger said.

Weinberger forwarded a letter from U.S. President Reagan to Deng, who asked the defense secretary to convey his regards to President and Mrs. Reagan.

Present at the meeting were Zhang Aiping, Chinese ambassador to the U.S. Han Xu and U.S. Ambassador to China Winston Lord.

Earlier today, Chinese Foreign Minister Wu Xueqian conferred with Weinberger on Sino-U.S. relations and a number of international issues.

#### HSIN WAN PAO ON WEINBERGER'S PRC VISIT

HK081044 Hong Kong HSIN WAN PAO in Chinese 8 Oct 86 p 2

["News Talk" column: "The Agenda and Significance of Weinberger's Visit to China"]

[Text] U.S. Secretary of Defense Weinberger arrived in Beijing at dusk yesterday. Shortly afterward, he carried out a number of activities.

His 4-day visit will include touring China's satellite launching base in Xichang. He has a heavy schedule during his visit.

Shortly after he arrived at the Beijing airport, he went to the Great Hall of the People, where he met Yang Shangkun, vice chairman of the Central Military Commission; and Chief of Staff Yang Dezhi. Subsequently, he hurried to the Zhaolong Restaurant to attend a dinner given by Defense Minister Zhang Aiping.

Today's schedule includes a formal meeting between the two defense ministers and a banquet given by Zhang Aiping in Weinberger's honor. As yesterday's dinner was informal, neither side made a formal speech. It seems that news media will report on their formal speeches tonight.

It has already been rumored in Beijing that Deng Xiaoping will possibly meet Weinberger. A U.S. official accompanying Weinberger to Beijing remarked that Weinberger brought along letters from U.S. President Reagan for Deng Xiaoping and Zhao Ziyang.

Judging from the arranged schedule, as chairman of the Central Military Commission, Deng Xiaoping will meet Weinberger after the talks between the two defense ministers. By then it will be easier to analyze his new understanding of U.S. viewpoints on the world situation and of U.S. suggestions about Sino-U.S. relations.

This is Weinberger's second visit to China. His first visit to China in 1983 initiated mutual visits by top military leaders of the two countries. On the first day of Weinberger's current visit, China also sent Hong Xuezhong, director of the PLA General Logistics Department, to the United States for a two-week visit. He will exchange views with his counterpart on logistics modernization and visit some logistics facilities, logistics units, logistics research departments, storehouses, and academies.

Many commentators on international issues believe that the mission of Weinberger's current trip is not merely limited to military affairs. The discussion on the international situation are more important. According to the dispatch released by UPI from Beijing yesterday, besides arms sales and the U.S. fleet's visit to Chinese ports, the talks will include the forthcoming U.S.-Soviet summit in Iceland.

This morning, Hong Kong's SOUTH CHINA MORNING POST had a full-page discussion on the issue, which pointed out from the very beginning: Weinberger's visit to China is an attempt to sound out Sino-Soviet relations following Gorbachev's speech made at Vladivostok last summer. The United States is more concerned about the Kremlin's consent to determine the Sino-Soviet boundary with the main channel of the Heilong Jiang and Wusuli Jiang rather than the withdrawal of Soviet troops from Mongolia and Afghanistan. It is said that this is the Soviet Union's friendliest attitude toward China in recent years.

Thus it can be seen that both the United States and the Soviet Union have adopted new attitudes to deal with Sino-U.S. and Sino-Soviet relations. It is estimated that Weinberger will have something new to say about the outstanding Sino-U.S. issues including arms sales and transfer of certain technologies.

Regarding the U.S. fleet's visit to Qingdao, it is said that a solution has been reached. The United States may follow the method of the British fleet's visit to Shanghai, respect China's position on nuclear weapons in the Pacific Ocean, and avoid publicizing the nuclear power or weapons of the naval vessels that are to visit China. Whether this statement is true or not has yet to be verified.

#### WANG COMPUTER JOINT VENTURE TO BEGIN PRODUCTION

OW061834 Beijing XINHUA in English 1546 GMT 8 Oct 86

[Text] Beijing, October 6 (XINHUA) -- A joint venture to produce the VS series of mini-computer systems will officially go into production in Shanghai October 11, Wang Computer China Limited (WCCL) announced here this evening.

The joint venture, Wang Computer Industry Development Company Ltd, was established by WCCL, a subsidiary of Wang Laboratories of the United States, and the Shanghai Computer Industry Company.

The first batch of equipment for the joint venture was shipped to Shanghai August 24, WCCL said, adding that the installation of the equipment has been completed and the venture trial-produced the first (?workstation) for the VS series October 1.

Dr. An Wang, president of Wang Laboratories, who flew here today will cut the ribbon for a ceremony to be held in Shanghai October 11 to mark the commencement of the joint venture.

I. 9 Oct 86

B 5

PRC INTERNATIONAL AFFAIRS  
UNITED STATES

Wang will provide technology for the joint venture in production, measuring and testing, maintenance and in other production activities, and is responsible for upgrading the technology and products of the venture, according to a WCCL release.

Wang will also send engineers to Shanghai to exercise strict supervision over the products turned out by the joint venture so that they will reach the advanced world level in terms of quality, technology and reliability, WCCL (?said).

In addition, Wang will provide Chinese users with training and maintenance services, it added.

#### WANG'S AUTOBIOGRAPHY TO BE PUBLISHED IN CHINESE

OW080844 Beijing XINHUA in English 0826 GMT 8 Oct 86

[Text] Beijing, October 8 (XINHUA) -- an autobiography of the noted American computer industrialist, Dr. An Wang, is to be published at the end of this year by the Joint Publishing Co. in association with the Addison-Wesley Published Company Inc. of the United States.

The original English version was recently published by the American company and the Chinese translation is based on the manuscript of the author.

Dr. An Wang, president of Wang Laboratories, was born near Shanghai China in 1920. He went to the United States in the mid-1940s. While working for his PH.D. degree in applied physics at Harvard University in 1948, he developed magnetic memory cores, which were essential to the development of modern computers.

Later, Wang became a businessman to market applications of his innovations in digital electronics, and his company has grown from a one-man shop to an almost three-billion-dollar multinational company that employs over 30,000 people.

The 66-year-old Wang has been so successful that he was honored as an outstanding immigrant by President Reagan on America's Independence Day, July 4 this year.

His 170,000-word autobiography is entitled "Lessons," because Wang hopes his book will not be read as a catalog of his achievements but as a case study of one man making decisions and taking risks, he wrote in the introduction to the book.

#### DENG XIAOPING MEETS WANG LABORATORIES PRESIDENT

OW081056 Beijing XINHUA in English 1048 GMT 8 Oct 86

[Text] Beijing, October 8 (XINHUA) -- Deng Xiaoping, chairman of the Chinese Communist Party Central Advisory Commission, today assured a leading United States industrialist that "foreign entrepreneurs could not find a safer investment than in China."

Speaking to An Wang, who was born in Shanghai in 1920 and is president of Wang Laboratories, Deng called for more foreign investment "so China can accelerate its national development."

As for China's repaying capability, he said at a meeting in the Great Hall of the People, "We don't think of it as a problem, and I would hope foreign investors wouldn't worry either."

Deng said he hoped Wang would contribute to China's economic development.

"I will try my best," Wang responded, adding that the Wang Computer Industry Development Company, a subsidiary of Wang Laboratories, was involved in a joint venture with the Shanghai Computer Industry Company to produce the "VS" series of mini-computers.

Wang left China in 1945 to study at Harvard University in Cambridge, Massachusetts. He became a U.S. citizen in 1954.

When Wang told Deng China had changed since his last visit in 1979, the senior leader suggested that he see China's poorer areas as well as its more developed ones.

"We cannot allow poverty under socialism to exist and poverty does not give expression to the superiority of socialism," said Deng. "In building socialism, we must gradually make our people and our country rich and prosperous."

GUANGMING RIBAO ON U.S. 'FALSE REPORT' ON LIBYA

HK090555 Beijing GUANGMING RIBAO in Chinese 5 Oct 86 p 3

[Report from reporter Wang Deming (3269 1795 6900): "White House Issued False Report To Deceive Al-Qadhdhafi, Causing a Great Disturbance in U.S. Press Circles"]

[Text] Washington, 3 Oct -- On 2 October, THE WASHINGTON POST published on its front page an astounding report, exposing a "secret fraud" designed by the White House in August. It added that the White House purposely revealed the fraud to the press in order to deceive Libyan leader Al-Gadhdhafi so that he would believe that his main aides intended to state a coup d'etat, and that the United States would attempt to attack Libya again. By so doing, the White House would punish him for "his support for the terrorist activities."

The newspaper reported the matter in detail in accordance with the relevant documents and reports from other sources. The origin and development of the matter began when Poindexter, advisor to the President for national security affairs, drafted a memorandum, and presented it to President Reagan. On 14 August, Reagan, Poindexter, and nine other White House senior officials discussed this memorandum. The memorandum worked out a new tactic aimed at "letting Al-Qadhdhafi believe that an opposition, composed of senior personages inside Libya and his close aides, are not loyal to him, and that the United States will undertake military operations to attack him." The plan was approved after discussion, and filed as an official presidential document on policy decision. The plan would be specifically executed by Poindexter and the CIA.

According to the article in THE WASHINGTON POST on 2 October, on 25 August, THE WALL STREET JOURNAL and this newspaper reported "most of the false information churned out according to this plan," "saying that Libya again supported terrorist activities and that another round of U.S.-Libyan conflict was imminent."



THE WALL STREET JOURNAL even gave a more detailed report, saying that "as soon as the President issues the order, the Defense Department will be able to fulfill the new combat plan of bombing Libya on a larger scale." That night, the three major television networks in the United States all broadcast the report of THE WALL STREET JOURNAL. On 26 August, the news agencies and many major newspapers also reported this.

THE WASHINGTON POST has now public this fraud, and this has deeply embarrassed the White House. This newspaper also confirmed that even the memorandum drafted by Poindexter also acknowledged that the results of the reconnaissance by the U.S. intelligence agencies showed that Al-Gadhdhafi "was in a state of silence while being on the front line of terrorist activities." According to a report by THE NEW YORK TIMES, the White House denies the attempt to cook up false information. When meeting some leading journalists on 2 October, President Reagan 'denied' the truthfulness of THE WASHINGTON POST report, but he acknowledged that there was a 'circulating memorandum' about the Libya issue.

The turbulence that this incident has given rise to in U.S. press circles was quite big. On the 3d various major newspapers were full of complaints and explanations. This is rare in U.S. press circles. THE NEW YORK TIMES published a news analysis, in which it says with some feeling of embarrassment: on the one hand, the government selectively provides some sources of news to press circles, who have to question the truth of the news; while on the other hand, when press circles publish some sensitive and accurate news, the reporters and newspapers are punished. This time, "the Reagan administration wanted to 'use false information' to overthrow the Libyan leader. This has not only harmed its credibility about what it says but has also caused people to doubt its news policies.

#### SHULTZ MEETS CHINESE ENCYCLOPEDIA DELEGATION

OW081214 Beijing XINHUA in English 1201 GMT 8 Oct 86

[Text] Washington, October 7 (XINHUA) -- U.S. Secretary of State George Shultz received a delegation of China's Encyclopedia Publishing House here this afternoon.

The Chinese delegation, led by the publishing house's President Chang Ping, came to Washington on the occasion of the publication of the Chinese version the "Concise Encyclopedia Britannica" in the United States today.

The 10-volume, eight-million-word Chinese version is the fruit of cooperation between and the joint efforts of the Chinese publishing house and the Chicago-based Encyclopedia Britannica, Inc., U.S.A.

Shultz told the Chinese guests that he regarded the publication of "The Concise Encyclopedia Britannica in Chinese" as a very good beginning of cooperation between U.S. and Chinese publishing circles and an important part of the cultural exchange between the two countries.

The Chinese delgation presented a copy of the encyclopedia to the U.S. Secretary of State as a gift. Present on the occasion was Zhang Zai, charge d'affaires ad interim of the Chinese Embassy here.



At a news conference this morning at the Library of Congress here, Robert P. Gwinn, chairman of the Encyclopedia Britannica, Inc., presented a commemorative edition of the Chinese encyclopedia to Daniel J. Boorstin, librarian of the congress. Following the news conference, a symposium "Encyclopedias East and West" was held at "The Center for the Book" in the Library of Congress.

Frank Gibney, vice chairman of the board of editors of the Encyclopedia Britannica, told American and Chinese journalists at the news conference that more than 500 scholars, translators and editors from all over China participated in the project. While the encyclopedia was edited by the staff of the encyclopedia of China Publishing House, all editorial decisions were supervised by a joint editorial review board composed of an equal number of Chinese and American scholars, of which he is the American co-chairman.

Chinese leaders Deng Xiaoping and Hu Yaobang have been supporting the publishing of Encyclopedia Britannica in China, both Gwinn and Gibney stressed.

The first edition of the encyclopedia was published in 1768 in Edinburgh, Scotland. Since then, it has grown to be one of the most prestigious encyclopedias in the world. It is the oldest continuously published reference work in the English language.

Among the members of the Chinese delegation are Liu Zungi, Chinese co-chairman of the joint Sino-American Editorial Review Board and former editor-in-chief of CHINA DAILY, the English newspaper in Beijing; Qian Weichang, president of Shanghai University; and Xu Weizeng, managing editor of the "Concise Encyclopedia Britannica in Chinese."

#### TIAN JIYUN MEETS AMERICAN STOCK BROKER

OW081644 Beijing XINHUA in English 1637 GMT 8 Oct 86

[Text] Beijing, October 8 (XINHUA) -- Vice-Premier Tian Jiyun met here today Richard C. Holbrooke, permanent director of the Shearson Lehman Brothers Inc. of the United States and his party.

#### NPC'S PENG CHONG MEETS U.S. LAWYERS DELEGATION

Ow081132 Beijing XINHUA in English 1112 GMT 8 Oct 86

[Text] Beijing, October 8 (XINHUA) -- Peng Chong, vice-chairman of the Chinese National People's Congress Standing Committee, met a delegation from the American Bar Association led by its President Eugene Thomas here today.

Chairman of the Law Society of China Wang Zhongfang was present.

RADIO CITES PRC SPOKESMAN ON REYKJAVIK SUMMIT

OW090628   Beijing in Russian to the USSR 1800 GMT 8 Oct 86

[Text]   A PRC Ministry of Foreign Affairs press representative, replying to a journalist's question in Beijing on the afternoon of 8 October, said that China welcomes the U.S.-Soviet summit meeting and hopes that the United States and the USSR will hold thorough talks [po-nastoyashchemu provedut peregovory] and will reach agreement on a considerable reduction of arms that would not be to the detriment of other countries' interests but would benefit the relaxation of international tensions and defend peace throughout the world.

When the issue was raised that the question of the Soviet Union deploying SS-20 missiles in the Asian part of its territory aimed against China would be discussed at the U.S.-Soviet summit meeting, the representative noted that, as an Asian state, China must be concerned about security in this region. China considers that attention must be paid to security both in Europe and Asia. The United States and the USSR must simultaneously and uniformly reduce or destroy intermediate-range missiles deployed on these two continents.

The representative also stressed that a fundamental obstacle in Chinese-Vietnamese relations is the Vietnamese aggression against Cambodia. if Vietnam does not put an end to its occupation of Cambodia and withdraw all its aggressive troops from this country, there can be no talk about relations between China and Vietnam.

CALL FOR SOVIET AFGHAN WITHDRAWAL REITERATED

HK090742   Hong Kong AFP in English 0733 GMT 9 Oct 86

[Text]   Beijing, Oct 9 (AFP) -- China reiterated its call Thursday for a prompt total withdrawal of Soviet troops from Afghanistan, a day after Moscow announced that some 8,000 Soviet soldiers would leave the country by the end of the month.

"We have repeated on many occasions that the key to the political settlement of the question of Afghanistan lies in the complete withdrawal of the troops from Afghanistan by the Soviet Union at an early date," a Chinese Foreign Ministry spokesman said in a telephone interview.

U.S. Defense Secretary Caspar Weinberger, who is currently visiting China, accused the Soviet Union Wednesday of conducting a fake withdrawal by sending new regiments into Afghanistan, only to pull them out later.

Beijing considers the Soviet presence in Afghanistan one of three obstacles to a normalization of Sino-Soviet relations. The two others are Soviet backing for the Vietnamese occupation of Cambodia and Soviet troop concentration along China's northern borders.

TEXT OF LI XIANNIAN SPEECH AT PYONGYANG BANQUET

HK081025 Beijing RENMIN RIBAO in Chinese 4 Oct 86 p 6

[XINHUA report: "President Li Xiannian's Speech at the Banquet Hosted by President Kim Il-song"]

[Text] Pyongyang, 3 Oct (XINHUA) -- President Li Xiannian delivered a speech at a banquet given by President Kim Il-song this evening. The full text of his speech is as follows:

Respected Comrade President Kim Il-song and his wife Comrade Kim Song-ae;

Respected leading comrades of the party, government, and Army of Korea;

Dear comrades:

Bringing with me the profound feelings of friendship of the Chinese people for the Korean people, I have come to our fraternal neighbor, the DPRK, for an official friendly visit. I am very pleased to see our old friends and the fraternal Korean people. I extend my heartfelt thanks to Comrade President Kim Il-song and to the party, government, and people of Korea for the grand and enthusiastic welcome and the cordial and meticulous hospitality accorded me and my entourage, I avail myself of this opportunity to extend the cordial greetings and the best regards of the party, government, and people of China to the party, government, and people of Korea.

I have visited your beautiful country many times, and each time I have a fresh feeling. More than 20 years have passed since my first visit. During this period, startling changes have taken place in the DPRK under the leadership of the Workers Party of Korea headed by Comrade Kim Il-song. Pyongyang today has become more grandiose, beautiful, and harmonized, its appearance completely changed compared with that of 2 decades ago and much changed even compared with 6 years ago when I visited it. Consistently adhering to the correct line of "independence in politics, self-sustenance in economy, and self-reliance in national defense," the Korean people have made great achievement in different fields of socialist construction. You have successfully carried out the Second 7-Year Plan of National Economic Development and are vigorously striving to attain the 10 long-term objectives of the eighties. Pursuing a foreign policy of independence, friendship, and peace, the DPRK is actively developing friendly relations with the peoples of many countries. The Chinese people, as your comrades and comrades-in-arms, always show deep interest in the development of Korea, fully respect the domestic and foreign policies you have formulated, and sincerely rejoice over all the achievements you have made.

Comrades, the Chinese people are striving to build socialism with Chinese characteristics and are determined to change completely the backward appearance handed down through history by carrying out modernization with strenuous efforts of the people of a number of generations. We begin implementing the Seventh 5-Year Plan this year. We are gradually carrying out an all-round reform of the economic structure while focusing on the cities. At the same time, we are also vigorously exploring the question of reforming the political structure. Our reform work in many fields is all conducted under the condition of maintaining the socialist system. [paragraph continues]

Our reform, which is aimed at rousing the enthusiasm of the broad popular masses, accelerating the development of social productive forces, improving the people's living standards, and giving full play to the superiority of the socialist system, has already brought a tangible effect. In carrying out reform internally and pursuing a policy of opening up externally, we set store by the construction of material as well as construction of spiritual civilization. The 6th Plenary Session of the 12th CPC Central Committee which closed a few days ago discussed mainly the question of socialist spiritual civilization and adopted an important resolution. We will invariably adhere to the four basic principles -- keeping to the socialist road and upholding people's democratic dictatorship, the party's leadership, and Marxism-Leninism and Mao Zedong Thought -- and consistently develop socialist construction in China. Socialist construction in China has invariably been an object of interest and support of the Korean comrades. Availing myself of this opportunity, I express sincere thanks to the Korean party, Government, and people on behalf of the Chinese party, Government, and people.

Comrades, to preserve peace in Asia and the rest of the world is now a unanimous desire of the peoples of Asia and other parts of the world. Easing tension on the Korean peninsula is not only in accord with the interests of the peoples in this region but also favorable for peace and stability in the entire Asia and Pacific region. The Korean party and Government have made tireless effort to ease the strain on the Korean peninsula and promote the cause of independent and peaceful reunification of Korea and put forward a number of reasonable proposals. I attended the Sixth Congress of the Workers Party of Korea 6 years ago upon your party's invitation. At the congress, Comrade Kim Il-song solemnly put forward the proposal for realizing reunification by founding the Democratic Federal Republic of Koryo, and indicated the orientation and way for the independent and peaceful reunification of Korea. The Chinese people love peace and the Chinese Government pursues a peaceful foreign policy of peace. We are vigorously struggling to accomplish the cause of the country's reunification. That is why we have a good understanding of the ardent desire of the Korean people to put an end to the division of the country and achieve its peaceful reunification at an early date. We always held that the United States must stop meddling in the internal affairs of Korea and withdraw all its forces and military equipment from South Korea and that the Korean people be allowed to solve the question of the country's peaceful reunification by themselves free from foreign interference. We resolutely support your just stand and reasonable assertions, and wholeheartedly hope that the Korean people will continue to make a new advance in their cause of reunification. A reunified and peaceful Korea will certainly appear in the east of the world.

Comrades, particularly close relations have been forged between China and Korea. Comrade Kim Il-song rightly said: "The Korean and Chinese peoples are tied together in one destiny for good and all." The Chinese party and Government set great store by the great Sino-Korean friendship forged in the protracted revolutionary struggle and the cause of socialist construction. This friendship in lips-and-teeth relations is a great embodiment of proletarian internationalism, a crystal of coincidence of fundamental interests of the two peoples, and a friendship which has withstood trials. It is an unshakable policy of our party and government to constantly develop and strengthen the friendly and cooperative relations between China and Korea. In recent years, the leaders of our two parties and two countries have steadily developed the friendship between the two countries by paying visits to each other as if to their relatives. I firmly believe that the great Sino-Korean friendship will be a blessing for our two peoples, greatly contribute to peace in Asia and the rest of the world, and continuously develop from generation to generation, pulling through all storms as in the past. Now, I propose a toast:



To the development of Sino-Korean friendship from generation to generation; to the prosperity of the DPRK and the happiness of the people; to the good health and long life of Comrade Kim Il-song, the great leader of the Korean people and close friend of the Chinese people; to the good health of Comrade Kim Song-ae; to the good health of Comrade Kim Chong-il; to the good health of the leading comrades of the Korean party, Government, and Army, and to the good health of the Korean and Chinese comrades present at the banquet!

TEXT OF KIM IL-SONG SPEECH AT BANQUET FOR LI

HK071123 Beijing RENMIN RIBAO in Chinese 4 Oct 86 p 6

[XINHUA report: "President Kim Il-song's Speech at the Banquet Given in Honor of President Li Xiannian"]

[Text] Pyongyang, 3 October (XINHUA) -- President Kim Il-song made a speech at the banquet held this evening in honor of President Li Xiannian. The full text of his speech follows:

Respected Comrade Li Xiannian,

Distinguished Chinese guests,

Comrades and friends:

Today, we are very glad to welcome respected Comrade Li Xiannian, member of the Standing Committee of the Political Bureau of the CPC Central Committee, president of the PRC, and intimate friend of the Korean people.

Many people in Pyongyang went to the streets and squares today to warmly welcome Comrade Li Xiannian, vividly expressing a high pitch of excitement of our people in welcoming the friendly envoy of the Chinese people and their profound feeling toward the Chinese people.

I am very glad to meet respected Comrade Li Xiannian again after a long separation. Now I would like to express our warm welcome to you in the name of the Workers Party of Korea, the Government of the DPRK, the Korean people, as well as in my own name.

Comrade Li Xiannian is an old, intimate friend of ours.

You have visited our country many times, and on this occasion, you have taken time to visit our country again as president of the PRC in spite of your old age.

We are deeply moved by the consistent sincerity and efforts of you, Comrade President, and other leaders of the Chinese party and state, to promote the friendship between Korea and China. We are very grateful to you for this.

Just as has often been stressed proudly by the leaders of our two countries, the relations between our two parties, two countries, and two peoples are not ordinary relations. These are special relations of friendship that can only exist between true revolutionary comrades. They are relations of unbreakable friendship with long-standing historical traditions.



The celebrations held in our two countries some time ago to commemorate the 25th anniversary of the signing of the Korea-China Treaty of Friendship, Cooperation, and Mutual Assistance clearly demonstrated once more the invincibility and vitality of friendship between Korea and China.

The Korea-China friendship is displaying so durable and great vitality because it is based on true comradeship, deep trust, and unshakable revolutionary fidelity between the leaders of the two countries.

We are satisfied with the fact that in recent years, the relations between the two countries have been developing to a new higher stage, adding a brilliant chapter to the glorious history of Korea-China friendship, and that a solid foundation has been laid on which they will develop smoothly and forever from generation to generation.

Korea and China are fraternal socialist countries in the east of Asia, and the people of both countries are carrying out the common tasks for victory in the cause of peace, socialism, and communism.

The Chinese people, who started another Long March after the 3d Plenary Session of the 11th CPC Central Committee, have achieved nationwide stability and unity and great success in the struggle to build socialism with distinctive Chinese characteristics under the seasoned party leadership including Comrade Hu Yaobang and Comrade Deng Xiaoping.

At present, the CPC and the Chinese people are vigorously pushing forward the building of both socialist spiritual civilization and socialist material civilization, and have made a new advance in their struggle to turn China into a highly democratic and highly civilized, powerful, and modern socialist state.

The historical change made by the Chinese people and the increased might of the PRC are contributing greatly to the strengthening of the anti-imperialist and independent forces the world over and to the preservation of peace and security in Asia and the rest of the world.

We are convinced that the fraternal Chinese people will never fail to achieve a brilliant victory in implementing the resolutions of the 12th CPC National Congress and the National Conference of Party Delegates and in their struggle to realize the four modernizations and the four basic principles and to unify the whole country by achieving the reversion of Taiwan.

It is the consistent policy of both the Korean and Chinese parties and governments to fight to prevent war and create peaceful environments for socialist construction.

The peaceful environments are indispensable for both construction for socialist modernization in China and the complete victory of socialism in Korea and its independent and peaceful reunification.

In accordance with the desire and aspiration of the peace-loving people of Korea, Asia, and the rest of the world, our party and the government of the republic are making every effort to ease the tension of the Korean peninsula and settle the question of national reunification peacefully.

The Communist Party, government, and people of China are giving positive support and encouragement to the peaceful initiatives which we have taken to accelerate the historic cause of the country's reunification and to our struggle for the complete victory of socialism.

I would like to take this opportunity to express our deep thanks to the party, government, and fraternal people of China for their positive support and encouragement to our people in our socialist construction and our struggle for national reunification.

Comrades and friends!

By visiting each other frequently, the party and state leaders of Korea and China have discussed the matters of common concern and taken necessary and joint actions as required by the situation. This has become a fine tradition and, in the course of this, the friendship between Korea and China has been consolidated and developed continuously.

The fraternal friendship and militant solidarity between our two parties, two countries, and two peoples is an important factor for the successful accomplishment of the cause of socialism and communism in Korea and China and a sure guarantee for peace and security in Asia and the rest of the world.

The Korean people will continue to make efforts to strengthen the traditional Korean-China friendship in future and, in firm unity with the progressive people of the world, resolutely fight to build a peaceful new world free from domination and subjugation.

The visit of esteemed Comrade President Li Xiannian to our country on this occasion will make a great contribution to further strengthen and developing the unbreakable Korea-China friendship, which is being promoted steadily.

Esteemed Comrade President, I wish that you will have a pleasant stay in our country amid the warm welcome of our people.

Now, at this significant banquet, which is permeated with brotherly affection, I propose a toast:

To the eternal and militant solidarity and friendship between the Korean and Chinese peoples;

To the vigorous development of the CPC and prosperity of the PRC;

To the longevity of esteemed Comrade President Li Xiannian and the health of his wife;

To the health of all the distinguished Chinese guests here;

And to the health of all comrades and friends present at the banquet!

LI PENG CONTINUES TOUR OF 3 AFRICAN COUNTRIES

## Meets Egyptian Prime Minister

OW071300 Beijing XINHUA in English 1300 GMT 7 Oct 86

[Text] Cairo, October 7 (XINHUA) -- Visiting Chinese Vice-Premier Li Peng told Egyptian Prime Minister 'Ali Lutfi this morning that his visit is aimed at learning experiences from the Aswan High Dam before a final decision to construct the projected Three-Gorges High Dam in the middle of China's longest Yangtze River.

During the meeting, the two leaders exchanged views on various international issues including the Palestinian problem and the Middle East situation as a whole. Both sides also expressed satisfaction over the current Sino-Egyptian ties and hoped that the two countries will further increase relations in political, economic and other spheres.

Li Peng arrived here last night after his visits to African countries of Botswana, Ivory Coast and Ghana.

## Cooperation Dam Construction

OW071842 Beijing XINHUA in English 1556 GMT 7 Oct 86

[Text] Cairo, October 7 (XINHUA) -- Egypt is willing to offer its experience in building the Aswan High Dam in the light of the construction of China's projected Three-Gorges High Dam and the giant hydropower station on the Yangtze River.

Egyptian Minister for Power Energy Muhammad Mahir Abazah said this remarks here today in a meeting with visiting Chinese vice-premier Li Peng.

Li Peng, who is visiting the Aswan Dam on the Nile in upper Egypt, hoped that Chinese and Egyptian experts will exchange technical experiences on the constructin of hydro-power projects.

Both Li Peng and Abazah hoped that China and Egypt would further cooperate in the constructing projects and exchange of experience in developing their countries.

## Feted by Energy Minister

OW080856 Beijing XINHUA in English 0849 GMT 8 Oct 86

[Text] Cairo, October 7 (XINHUA) -- Egyptian Electricity and Energy Minister Muhammad Abazah held a banquet tonight in honor of Chinese Vice Premier Li Peng, who arrived here yesterday for a studying tour of the Aswan High Dam.

In his speech at the banquet, the Egyptian minister expressed his country's appreciation of China's self-reliance and the policy of opening to the outside world in its modernization drive.

The Chinese vice premier in his speech praised the cooperation between the two countries, which is expanding in both scope and form. Li told Egyptian Prime Minister Ali Lutfi earlier today that his visit was aimed at learning Egypt's experience in building the Aswan High Dam before a final decision to construct the projected Three-Gorges High Dam in the middle of China's Yangtze River.

## Praises Aswan Dam as Example

OW090159 Beijing XINHUA in English 0037 GMT 9 Oct 86

["China Can Learn From Egypt's Aswan Dam, Says Li Peng (by Wang Gengbao)" -- XINHUA headline]

[Text] Aswan, Egypt, October 8 (XINHUA) -- Visiting Chinese Vice-Premier Li Peng today said that China can learn from Egypt's Aswan Dam in building China's large-scale hydro-power station and water conservancy projects.

Talking to XINHUA on concluding an on-the-spot investigation of the Aswan Dam, the vice-premier said that the Aswan Dam is a great water conservancy and hydro-power engineering achievement which has benefitted the Egyptian people. "By meticulous designing and rational planning, China can assimilate the strong points and avoid the weak points of the Aswan Dam in building China's water conservancy and hydro-power station projects," he said.

Vice-Premier Li Peng came to see the control centre and the power generating sets of the Aswan Dam this morning, accompanied by Governor of Aswan governorate Kadil Osman and First Vice-Minister of Electric Power and Energy al Safti.

Li Peng also went on a boat in the Nasser Lake to see the body of the dam and was briefed by Egyptian experts on the construction of the dam. He was also honoured at a luncheon given by the governor of Aswan today.

## Meets President Mubarak

OW081407 Beijing XINHUA in English 1324 GMT 8 Oct 86

[Text] Cairo, October 8 (XINHUA) -- Egyptian President Husni Mubarak met visiting Chinese Vice-Premier Li Peng here today for talks on the Sino-Egyptian relations and Middle East issues.

After the meeting, Li Peng, when asked about a question on China's stand on the projected international conference on Middle East peace, said that China supports any means which enables a peaceful and just solution to the Middle East problems.

During his meeting with the Egyptian president, Li Peng delivered a letter from Chinese Premier Zhao Ziyang in replying to Mubarak's letter on September 18.

Li Peng noted that China has always been supporting the just struggle of the Arab people including the Palestinians. "We hope that a just solution can be found to the Mideast issues through peaceful negotiations," Li Peng said.

China supports Egypt's stand on safeguarding the national sovereignty concerning the Tabah issue and appreciates Egyptian efforts to find peaceful solutions to the Mideast problems and to defend the Palestinian rights, the Chinese vice-premier added.

Li reiterated the Chinese Government's invitation to Mubarak for an official visit to China at his convenience. he told reporters that both sides are satisfied with the development of bilateral relations.



I. 9 Oct 86

C H I N A  
PRC NATIONAL AFFAIRS

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DEATH OF MARSHAL LIU BOCHENG ON 7 OCT REPORTED

HK081408 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1257 GMT 8 Oct 86

[Text] Beijing 8 Oct (ZHONGGUO TONGXUN SHE) -- Marshal Liu Bocheng, the legendary soldier of our time, and a famous leading member of the Chinese military circles died of illness at the age of 94 on 7 October.

Liu Bocheng joined the anti-Qing army consisting of students during the 1911 Revolution, and began his long life as a soldier. He participated in initiating and leading the Nanchang Uprising, and was one of the PLA founders. During the War of Liberation, he and Deng Xiaoping commanded the Second Field Army, namely the "Liu-Deng Army", and rendered immortal meritorious services to the founding of New China. He was one of the "ten marshals" who helped found the PRC.

Liu Bocheng had been Vice chairman of the Military Commission of the CPC Central Committee and member of the CPC Central Committee Political Bureau; he withdrew from the political arena because of illness in his later years.

Wang Ronghua, Marshal Liu Bocheng's widow, is still in good health. The Lius have six children, who are all married. All of them live in the living quarters of their own units. They call on their parents only on holidays. Marshal Liu's lifestyle has been greatly admired by people here.

HU YAOBANG URGES IMPROVEMENT OF CADRE QUALITY

HK080635 Hong Kong MING PAO in Chinese 8 Oct 86 p 5

["Special dispatch" from Beijing: "Hu Yaobang Says That the Quality of China's Cadres Is Low, and That Their Scientific Knowledge Is Generally Insufficient"]

[Text] While talking about the problem of cadre quality, Secretary General of the CPC Central Committee Secretariat Hu Yaobang said recently: "Generally speaking, scientific knowledge of leading and general cadres at both the central and provincial levels is insufficient."

According to a report by ZUZH RENSHI XINXI BAO [INFORMATION ON ORGANIZATIONS AND PERSONNEL MATTERS], Hu Yaobang wrote on a letter a very important instruction on personnel work: "When doing personnel work, we handle some specific matters almost every day. We should deal with them rationally. They should be handled in a strict or flexible way as the case may be. With regard to things which should not, or cannot be done, we should explain it clearly to the people concerned, so that everyone is happy."

While talking about the quality of cadres, Hu Yaobang said: Since the 3rd Plenary Session of the 11th CPC Central Committee, we have always stressed that the broad masses of cadres should master knowledge in order to enhance their quality. It has been right for us to do this.

He pointed out that there are three kinds of knowledge: 1) Modern economic and management knowledge; 2) modern scientific and technical knowledge; and 3) basic knowledge of Marxism and Leninism, or the knowledge of modern social sciences.



The secretary general stressed: "In recent years, while stressing that cadres should master cultural, scientific and technical knowledge, we have adopted a series of measures such as sending cadres to study at universities, study at foreign universities, visit foreign countries, and so on. We will continue to do so in the future. We do not oppose sending cadres to visit foreign countries and study abroad. What we oppose is the unhealthy trends in this regard. Cadres who have gone abroad have a foresight different from those who have not. In our practical work, there is one problem which have not yet tackled from two aspects: 1) Scaling new heights; and 2) going down to reality. Mastering modern scientific and cultural knowledge is what we call scaling new heights. While scaling new heights, we should not forget going down to reality, going deep into the reality of life. These two measures should be well integrated. We have more than 20 million cadres. In construction, we lack both modern scientific knowledge and practical knowledge. Not a single kind of knowledge is 'dispensable,' let alone two kinds of 'knowledge'."

When he talked about the growth of cadres, Hu Yaobang emphasized: "I think two conditions are needed in this regard. 1) They must have more modern scientific knowledge, including Marxist knowledge. 2) They must have practical experience and knowledge. We encourage our cadres to exert their efforts in these two aspects. None of them is dispensable. If cadres have book knowledge alone without acquiring any practical knowledge, it is difficult for them to carry out leadership work."

#### GUANGMING RIBAO ASSESSES OVERCENTRALIZED POWER

HK081016 Beijing GUANGMING RIBAO in Chinese 22 Sep 86 p 3

[Article by Feng Shujun (7458 2885 6511): "Reforming the Political System Should Aim at Doing Away With Overconcentration of Power as the General Root Cause of Bureaucracy"]

[Text] The Historical Factors That Account for the Overconcentration of Power [subhead]

Overconcentration of power is a basic characteristic of China's political structural patterns. Far from being a matter of chance, it is closely related to China's long-standing feudal, despotic tradition and to the overconcentration of power in the hands of party leaders in various countries during the Comintern period. In addition, because of the special nature of the Chinese revolution, we also have repeatedly emphasized the concentration and centralization of the party's power and the need to oppose the mountain-stronghold mentality, decentralism, and independent character. We rarely stress decentralization of power or independence and seldom oppose the overconcentration of power in the hands of an individual. Inevitably, all this has greatly influenced our choice of political system for the country after our seizure of the country's political power. The system chosen was a product of the special social and historical circumstances existing shortly after the founding of the country.

Shortly after the founding of the country, with a national economy greatly disrupted by the civil war, the country faced serious financial difficulties. Internationally, the imperialists imposed an economic blockade. At that historical turning point, we had no choice but to centralize power as far as the country's political system was concerned, in order to directly control and supervise production, exchange, and distribution in society. At the same time, against the background of the bitter and complicated class struggle then and of the newly established administrative organs' urgent need for a large number of cadres, China organized its first administrative cadre contingent on the basis of an appointment system. Having stood the severe test of war, all these cadres had a fine political quality.

In addition, since they were in the prime of their lives, very often many of them simultaneously held several posts each. At that time, the problem of establishing a cadre system and perfecting it was not even discussed. Given these historical circumstances, one should say that the high degree of concentration and centralization of power in our management system was called for by the complicated politicoeconomic situation then and in keeping with the development of productive forces and the masses' consciousness at that time.

Precisely because of this, we have, in theory, acquired the wrong idea that given a socialist system, highly centralized management of economic, political, and cultural affairs is a must. The management system and management methods based on this idea are characterized by centralization and linear relations involving many departments, many layers, and many types of leadership. Starting from the late 1950's, submitting to the "leftist" mistakes in our guiding ideology, we stressed further concentration and centralization in political and organizational matters, with the result that the political system, which was characterized by overconcentration of power, was objectively strengthened. Particularly during the "great leap forward" and "anti-rightist" movements, when the slogan stressing the party's unified leadership was raised, we inappropriately vested all powers in the party committees without making a single analysis. However, a party committee's powers were concentrated in the hands of a few secretaries or even in the hands of its first secretary. "The first secretary took command" in all matters. As a result, the party's unified leadership became leadership by an individual and autocracy and personality cult developed. In this way, a system characterized by the replacement of the government by the party, monopolization, and overconcentration of power was being gradually perfected.

As the party shifted the focus of its work onto socialist modernization and, in particular, as it began its comprehensive reform of the country's economic structure, the long-standing political system, characterized by an overconcentration of power, had become increasingly incompatible with the development of our socialist cause and its defects had even become irremediable. Concerning this, Comrade Deng Xiaoping unambiguously pointed out that: "Only when these defects are resolutely removed through planned, systematic, and thorough reforms will the people trust our leadership, our party, and socialism. Then our cause will truly have a future of boundless promise." (Deng Xiaoping "Selected Works Of" p 293)

#### Overconcentration of Power Is The Source of All Troubles [subhead]

Ours is a unitary socialist country. Thus, concentration of power is a must. However, like centers of infection in our tissues, overconcentration of power causes troubles. By examining the defects of the current political system, one will discover that all of them are either directly or indirectly related to overconcentration of power. It can be said that overconcentration of power is the ultimate source of all these defects.

First, it leads to the overstaffing of organs, unemployment, selfishness, and inefficiency in general. As a result of overconcentration of power, administrative organs have grown larger and they are becoming increasingly overstaffed. In particular, the number of temporary organs and government-run enterprises is increasing sharply. Laterally, the departments on each level are too many and too overstaffed. Hierarchically, there are too many levels and departments on different levels overlap. Given these overstaffed and overlapping departments and organs, the administrative staff is extremely large and is growing bigger. These organs and their personnel have to find "work" to do. Therefore, they strive for power and strive to keep it in their hands. They simply centralize decentralized power and hence cannot arouse their subordinates' enthusiasm. Because of their ill-defined duties and points of reference, they evade responsibilities and work and pass them on to others. Insufficiency is an "incurable disease" in the country's administrative organs.

Second, it leads to bureaucracy and the practice of giving arbitrary and impractical directions. For a long time, the powers of our enterprises and institutions have been concentrated in the governments' hands and the governments' own powers have in turn been concentrated in the hands of party committees. Because of all this, our leadership organs at various levels are managing many affairs that they should not and cannot manage and bureaucracy has inevitably resulted. Many things that could have been properly done at lower levels were placed in the hands of the party's and the government's leadership organs and hence were not satisfactorily done. In the face of complicated and unfamiliar tasks, a group of people or an individual cannot immediately "make the right decisions." Naturally, they are liable to make mistakes and give arbitrary and impractical directions.

Third, it erodes and weakens the government's functions and capacities and the party's leadership. Because of this prolonged overconcentration of power, people are used to equating party leadership over everything with party monopolization of everything and many comrades working on party committees feel that they have nothing to do if they do not direct specific administrative affairs. Thus, more often than not, party organizations directly interfere in and direct all government work. It looks as if the more things they monopolize the better they have strengthened party leadership. By doing this, they have dampened government departments' enthusiasm, prevented government organs from efficiently making overall decisions and policies and from efficiently directing their execution, turned government departments into ones dependent on party organizations, and made the entire state administrative system inefficient and slow in action and reaction. In addition, because of all this, party organizations are preoccupied with specific administrative affairs and they have neither the time nor the energy to handle important matters and strengthen the party's ideological, political, and organizational construction. Actually, party leadership has weakened as a result of this.

Fourth, it constitutes the basis for the existence of the idea that prerogatives and privileges go with position and ranking and gives rise to various unhealthy practices. The idea that prerogatives and privileges go with position and ranking is a feudalist product. However, today it still exists in society. This is directly related to the overconcentration of power in our country. The more power is concentrated the more serious a problem the idea that prerogatives and privileges go with position and ranking becomes. Facts tell us that the unhealthy tendencies among both party members and common people are primarily a result of the privileges enjoyed by some party and government organs and their leaders and that some people practice favoritism, receive bribes, and pervert justice by taking advantage of their positions. The ideas that prerogatives and privileges go with position and that government officials enjoy a much higher status than the people are corroding the souls of many. Precisely because of this, we must not simply account for the unhealthy tendencies in terms of some personal qualities and character traits. We should be able to see the relationship between these tendencies and the overconcentration of power given rise to by our system.

And fifth, it can easily result in autocracy and is the greatest obstacle to our endeavor to bring about political democracy. Without a high degree of democracy, socialism and modernization are out of the question. However, our version of democracy refers to the situation where the people are the masters of their own affairs, not to the practice of "acting as the people's masters." History and facts tell us that there is no great difference between overconcentration of power and autocracy. People's democratic rights shrink as power is being concentrated. In the event that power is concentrated in the hands of a few, autocracy will germinate and the people will be deprived of their democratic rights. If we cannot thoroughly solve the problem of overconcentration of power in our system. We cannot even begin to talk about inner-party democracy and socialist democracy and political democratization is nothing but idle talk.



The reform of the political system is a complicated large-scale social systems engineering project. It involves many things and requires us to solve many problems. It must be executed in a guided, planned, and step-by-step manner. A central objective of the reforms is to solve the problem of overconcentration of power. The goals of these reforms are to arouse the people's enthusiasm, to combat bureaucracy, and to establish a highly democratic, highly lawful, and highly efficient sociopolitical system. This should be regarded as the fundamental ideological guidance for the current reform of the political system.

Whether we can solve the long-standing problem of overconcentration of power directly bears on the success or failure of the reform of the country's political system. Since the founding of the country, we have made many attempts, including three major ones, to streamline and reform our organs. However, all these attempts were aimed at "streamlining the organs and reducing staff size." Emphasis was placed on abolishing and streamlining some organs and on changing some hierarchical relations. However, the result has always been that streamlined organs were again expanded. There was a cycle of repeated expansion and streamlining. All this happened because we had carried out reforms without significantly changing the economic structure. However, an even more important reason is that confined by the old system, we did not even bother to take a cursory look at the important problem of overconcentration of power. In recent years, in the course of the reform of the country's economic structure, by focusing our attention on the crucial problem of the rigid control and centralization characteristic of the old economic structure, by centering our efforts on the revitalization of enterprises, by delegating greater decision-making power to them, and by adopting various new measures, we have been able to make some breakthroughs and bring about an unprecedentedly lively economic situation in the urban and rural areas. Our experience, whether positive or negative, tells us that in a country like ours, one cannot even take a single step forward in one pays no attention to the crucial problem of overconcentration of power in reforming various aspects of the country's political system.

In order to solve the problem of overconcentration of power, it is necessary to introduce a reasonable division of labor between the party and the government and to put an end to the party's past practice of usurping the role of the government and monopolizing everything. As a matter of principle, after the seizure of political power by the proletariat, there should be a division of labor between the party and the government. On the other hand, we should also correspondingly separate the two as far as structure and functions are concerned, introduce specific criteria for a rational division of labor on various levels, and put an end to the party's practice of meddling in government administrative work and directing production. On the other hand, however, we should adhere to the principle that the party exercises political, ideological and organizational leadership over government work. We do this not to weaken the party's leadership, but to strengthen and perfect it under new historical circumstances.

At the same time, it is necessary to separate government from enterprise functions and to put an end to the absence of a clear line of demarcation between the government and the enterprises and to the government's practice of usurping the role of enterprises. This is a necessary fundamental measure called for by the reform of the country's economic structure for solving the problem of overconcentration of power. At present, we should, in accordance with the objective laws governing the development of a socialist commodity economy, continue to implement the principle of simplifying administration and decentralizing power. [paragraph continues]



Government departments at various levels, which in the past exercised microeconomic control, directly interfered in the enterprises' business, employed administrative means only in business matters, and supervised the country's administrative system on the basis of its administrative division, should from now on switch to macroeconomic management, provide a combined service, mainly rely on economic levers and regulations, and give impetus to the development of lateral economic ties. In addition, while bringing about these changes, they should gradually establish a new management system, the corresponding policy formulation and coordination system, an independent and effective supervision system, and a sensitive and accurate feedback system, in order to put an end to the overconcentration of power regarding the country's administrative system. Apart from this, they should now put down structural reforms and the reform of the personnel and cadre management system on their work schedules. Structural reforms should begin with a change in functions and with downward and lateral decentralization of power. In addition, efforts should also be made on this basis to reduce the number of intermediate levels and the number of overlapping organs, to merge departments doing more or less the same things, to strengthen the advisory and supervisory organs, and to speedily establish a highly efficient administrative system that is compatible with scientific policy-making and modern management.

While trying to make personnel and cadre management democratic and scientific, we should establish a performance appraisal system that is mainly based on actual performance, perfect our election and appointment systems, try to employ workers by administering examinations or by inviting job applications, generally require the leading cadres to assume responsibilities for the fulfillment of certain targets within their terms of office, to swap posts among themselves at regular intervals, and to avoid assignments to certain departments or certain parts of the country, eliminate such long-standing bad things in the current cadres system as the idea that one can only be promoted and be an official but never be demoted or be an ordinary person, the practice of accepting appointments but never dismissals, and that idea that it makes no difference whether one does something satisfactorily or not if one does anything at all, make competition equal, and give talented people a chance to show their talents and abilities, in order to invigorate and revitalize our cadre contingent.

In order to solve the problem of overconcentration of power, it is necessary to eliminate the pernicious influences of feudalism and despotism. The problem of overconcentration of power, and the many headaches it has caused, such as bureaucracy, the patriarchal system, the leading cadres' life tenure of office, the idea that privileges and prerogatives go with position, and so on, are all historically related to feudalism and despotism. Thus, in this sense, the elimination of the remaining influences of feudalism and despotism is a necessary condition for the reform of the country's political system. We should have a very clear understanding of this.

#### GUANGMING RIBAO STRESSES SPIRITUAL CIVILIZATION

HK090511 Beijing GUANGMING RIBAO in Chinese 29 Sep 86 p 2

[Editorial: "The First Thing Is To Conscientiously Study the Document"]

[Text] The resolution on the guiding principle for building socialist spiritual civilization, which was adopted by the recent 6th Plenary Session of the 12th CPC Central Committee, is an important historical document. It embodies the spirit of the 12th CPC National Congress and sums up the experiences of the past few years.

[paragraph continues]

It is the result of our party's efforts to encourage the free airing of views and solicit opinions from all sides and the outcome of the collective wisdom of people both inside and outside the party. Like the resolution on reform of the economic structure, this document, which is characterized by its rigorous scientific approach, strong sense of the time, and courage to carry out bold reforms and blaze new trails, will go down in the history of our party.

In the resolution, the building of spiritual civilization and adherence to the four basic principles are closely linked with the policy of reform and opening up to the outside world. The resolution is divided into eight parts, including ideological and moral education and the development of education, science, and culture. But in order to adhere to the orientation pointed out by the resolution, the most important things for us are: Adhering to the four basic principles and adhering to the policy of reform and opening up. It is wrong to forget or deviate from either of the two. We must clearly understand that in China, building socialist spiritual civilization is, fundamentally speaking, aimed at serving these two things and centered on these two things.

The resolution provides the whole party and the people throughout the country with a programmatic envisagement of building socialist spiritual civilization. After it was adopted, it became a code of conduct for all comrades in our party. It depends on the common efforts of the whole party and the people throughout the country to turn this envisagement and code of conduct into reality and to make the flower of spiritual civilization blossom in the vast land of China. We would like to emphasize that, at present, the first thing to do is to conscientiously study this document so as to gain a good understanding of the orientation and spirit of the document. At the same time, before we carry out various tasks of building spiritual civilization, we must also make an investigation of the real situation of our own area and department. We must not attempt to carry out the tasks before gaining a clear understanding of the spirit of the document so that deviations may be prevented.

The ideological and theoretical fronts have a particularly grave responsibility in publicizing and implementing the resolution. The resolution expounds many questions concerning ideals, morality, democracy, the legal system, discipline, and so forth, and points out their position and role in the building of socialist spiritual civilization. But how do we use the Marxist viewpoints and methods to further explain in a scientific and convincing way and in light of the spirit of the resolution the above-mentioned questions as well as other questions concerning equality, humanity, humanitarianism, truth, social practice, authority, and sense of organization; to correct all kinds of confusion and misunderstanding and erroneous ideas; and to help people gain a correct and deep understanding of these questions so that they can throw themselves into the great practice of building socialist spiritual civilization more conscientiously? This is a glorious task for the broad masses of ideological and theoretical workers. We are glad to see that since the 3d Plenary Session of the 11th CPC Central Committee, encouraged by the policy of reform and opening up, the ideological and theoretical fronts are unprecedentedly active. People are making bold explorations, blazing new trails, contending with one another, and displaying a creativeness and courage never seen before. This good trend is just in the ascendant. This trend must be continued, and the atmosphere of those years in which "ten thousand horses were all muted" should never recur. However, the current situation, which is characterized by the rising and contention of a hundred schools of thought, has also put forth new and pressing demands on ideological and theoretical workers, especially scholars and experts of great attainments. It is hoped that they will work harder and more actively and make a conscientious study of the materials they have collected in light of China's realities so that they can answer the new questions that have inevitably come up in the course of reform and opening up with more convincing and persuasive materials, and so that they can describe new practical experiences in

theory, which can help build up our confidence in our advance and guide our practical work. We believe that encouraged by the spirit of the resolution, the broad masses of ideological and theoretical workers will certainly achieve greater successes in this respect.

LIAOWANG ON SPIRITUAL CIVILIZATION, OPENING UP

HK090427 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 40, 8 Oct 86, p 10

[Article by Yu Guangyuan: "Actively Build Up Spiritual Civilization in Regard To Opening Up to the Outside World"]

[Text] The topic of this article certainly does not express my general viewpoint on the building of spiritual civilization. I would like to use three sections to summarize my general viewpoint on building spiritual civilization. That is, we should: Warmly welcome the construction of modern material civilization and the progress in the construction of spiritual civilization brought about by reform and opening up; make great efforts to build spiritual civilization so as to suit it to the requirements of the speedy development of material civilization and of reform and opening up; correctly handle and effectively solve the contradictions which appear in material civilizations development, reform, and opening up.

In order to have a correct understanding of spiritual civilization, I think that we should: Correctly understand the position and role of spiritual civilization in the process of fulfilling the historic task in the present stage in our country -- to build ours into a socialist modern power; and correctly understand the relationship between spiritual civilization and modern material civilization, reform, and opening up. Therefore, we must on the one hand adhere to the basic Marxist guiding principle that the superstructure and ideology must consolidate and develop the relations of production which can most effectively promote the development of social productive forces; and on the other hand, must fully realize the progress in our country's spiritual civilization since the 3d Plenary Session of the 11th CPC Central Committee and the problems which still exist in this field. The above-mentioned three sentences are summarized in light of this idea.

Of course, I do not think that the three sentences can accurately define spiritual civilization thoroughly; but I do think that this proposition is better than opinions which hold that progress in the building of spiritual civilization is rather poor or that the building of spiritual civilization is for the purpose of preventing something.

Now, the topic of this short article -- "Actively Build Up Spiritual Civilization in Regard To Opening Up to the Outside World" -- only discusses an issue in spiritual civilization as a whole, but it is an important issue. What I mean by this topic is that the building of spiritual civilization in our country must not be under secluded and xenophobic conditions which reject progressive foreign culture. That is to say, the basic national policy of opening up to the outside world not only applies to the development of material civilization, but also applies to the building of spiritual civilization.

Throughout China's history, there have always been two opposite attitudes toward foreign culture. China assimilated a great deal of foreign culture in ancient times, and this is one of the factors in the high degree of development of Chinese culture. People in history who made outstanding contributions in this regard are still held in esteem. One attitude is to cherish and actively introduce superior foreign culture. The other attitude is to seclude the country from the outside world and reject all foreign things. [paragraph continues]



China has a time-honored civilization, vast territory, and a large population, but it stayed at the feudal stage for a very long time. It is understandable that there is a deep-rooted idea of underestimating and rejecting external culture, for the old, feudal China, whose economy and culture were so backward, could only protect itself by adopting this xenophobic attitude toward progressive culture from the outside world.

Marx said in 1853, "The primary condition for preserving the old China is its complete seclusion from the outside world."

However, the national seclusion policy of the Qing empire could not check the progressive trend in the world. China's social progress after the Opium War was inseparable from the introduction of external culture. In the period between the middle of the last century and the "May 4th Movement" in 1919, because the Chinese people accepted the democratic political concept of the Western bourgeoisie and natural sciences from the West, the old democratic revolution occurred in China, and science and technology in China developed markedly and gave a great impetus to China's social progress. China's new democratic revolution and the founding of socialist system in China were further results of the introduction of Marxism, which was founded on the basis of Western culture and was developed by the Russian people. Historical facts have proved that it is impossible for China to make progress or develop when China rejected progressive things from other parts of the world.

Now as we are building a modern socialist country, it is more necessary for us to absorb foreign progressive culture. We should cherish our nation's fine traditional culture and should not improperly belittle ourselves. Therefore, we should continue to discover and carry forward all good things in our traditional culture, including things left over from ancient times and formed during our revolution. However, we should also acknowledge that things we inherit from the past are generally rather backward, and that we will not be able to realize the four modernizations if we do not particularly emphasize the assimilation of foreign progressive culture, because the essence of the four modernizations is to approach the world's advanced level. In the next few decades, we must really grasp all important achievements of the civilization of the modern world; otherwise, there will not be any modernization in our country. Of course, not all foreign things are progressive, and not all foreign progressive things are suited to our needs. Moreover, some things we urgently need do not exist in our traditional culture or in foreign progressive culture. So we will have to create and develop such things. Here I mainly refer to scientific Marxism, which guides socialist construction. It is now urgently needed in our modernization process, but it is not ready-made and we must make great efforts to develop it.

Concrete analysis should be made for concrete things. Foreign culture should also be analyzed concretely so that we can adopt a correct attitude toward a specific culture. However, this is practical and scientific work, and it is not easy to make correct judgments. I think that we should not absorb anything blindly and should not reject anything blindly. Instead, we should adopt a scientific and selective attitude. First, we should have a good understanding of the things which we will absorb or reject, and should make objective and realistic studies. This is the scientific attitude that we should have when we make a judgment.

It should also be pointed out that foreign culture is a very great object of study (its contents are extremely rich). Some parts of it are very complicated. Therefore, people should not make a judgment recklessly. In this regard, we need extensive discussions and should pursue the principle of letting a hundred schools of thought contend. Only thus can we become more conscious in absorbing foreign progressive culture and prevent blindness.



DENG CONFRONTS CHEN YUN IN STANDING COMMITTEE

HK081538 Hong Kong CHENG MING in Chinese No 108, 1 Oct 86 pp 8-12

["Notes on a Northern Journey (2)" by Lo Ping (5012 0393): "Deng Xiaoping Criticizes Chen Yun at Meeting" -- capitalized passages published in boldface]

[Text] One of the Ten Major News Items [subhead]

If there is a selection of 10 major news items of 1986, the following one will certainly be chosen:

The 6th Plenary Session of the 12th CPC Central Committee evaded China's most important and pressing issue -- the reform of the political structure.

The news is unusual because China's economic reform has encountered tremendous difficulties which can be resolved only by carrying out the reform of the political structure. However, the policy-decision makers of the CPC have knowingly neglected the matter.

It is strange because China's theoretical circles are discussing the reform of the political structure with unprecedented boldness and enthusiasm. Although the principal members of the CPC Central Committee also took part in the "political reform" chorus, the issue was not even included in the agenda of the sixth plenary session.

It is unusual because many problems in the ideological field cannot be resolved without the reform of the political structure. The sixth plenary session attended to trifles and neglected the essentials by merely discussing the question of spiritual civilization, irrespective of the reform of the political structure.

Why did the party's important meeting evade the pressing issue of the moment?

The following is the message from Zhongnanhia's red enclosure: The top CPC levels did not reach consensus on the question of political reform. There were heated disputes on the issue at the preliminary meeting for the sixth plenary session held in Beidaihe. There was an endless debate even on the question of separating party leadership from government administration at the lower levels. The failure to settle the question of the excessive powers of the Central Discipline Inspection Commission and its interference in too many fields at the meeting particularly annoyed Deng Xiaoping.

Deng Xiaoping Criticizes Central Discipline Inspection Commission at a Meeting of the Political Bureau Standing Committee [subhead]

According to the reformers, a number of the Central Discipline Inspection Commission members have abused their powers and willfully attacked the reformers in compliance with Chen Yun's intention. This was unfavorable to reform. In view of such a situation, Deng Xiaoping, Hu Yaobang, and Zhao Ziyang asked Qiao Shi to take charge of the leading group of party rectification of the central organs early this year so as to restrict the Central Discipline Inspection Commission. However, most of the leaders and cadres of the Central Discipline Inspection Commission acted as before and rode roughshod over the government. [paragraph continues]

Irritated by such a state of affairs, Deng Xiaoping, in front of Chen Yun, criticized the practices of the Central Discipline Inspection Commission at a meeting of the Political Bureau Standing Committee.

A month ago, ORGANIZATION AND PERSONNEL carried Deng Xiaoping's speech on reform of the political structure. So far as I know, Hong Kong's newspapers issued and quoted the reports of this magazine. But I do not know whether the responsible persons of the magazine read the full text of Deng Xiaoping's speech from the central document or they whether intentionally omitted a very important part of Deng Xiaoping's speech.

A friend of mine who had read the red-letter-headed document of the CPC Central Committee told me that Deng Xiaoping's speech was made at a meeting of the Political Bureau Standing Committee on 28 June this year. While quoting Deng Xiaoping's speech, ORGANIZATION AND PERSONNEL omitted two very important passages:

AS REGARDS THE RELATION BETWEEN THE PARTY AND GOVERNMENT, THE PARTY SHOULD RUN AFFAIRS CONCERNING INNER-PARTY DISCIPLINE, WHILE MATTERS INVOLVING LAW SHOULD BE HANDLED BY THE STATE AND GOVERNMENT... THIS IS A QUESTION RELATED TO THE POLITICAL STRUCTURE.

NOW MOST OF THE OFFENDERS ARE EITHER TEENAGERS OR YOUNG PEOPLE IN THEIR TWENTIES. AROUND THREE-FOURTHS OF THEM ARE JUVENILE DELINQUENTS. IF THESE CRIMINAL OFFENSES ARE RELATED TO THE PROBLEMS OF PARTY RECTIFICATION AND ARE UNDERTAKEN BY THE CENTRAL DISCIPLINE INSPECTION COMMISSION, IT WOULD BE DISADVANTAGIOUS TO FOSTERING A SENSE OF LEGAL SYSTEM.

Obviously, these remarks are aimed at Chen Yun and the Central Discipline Inspection Commission. The Central Discipline Inspection Commission undertook the affairs of criminal offenses which were the responsibility of the government and state and regarded them as problems to be solved in party rectification because it was Chen Yun's idea. In a speech delivered at the sixth meeting of the Central Discipline Inspection Commission held on 24 September, Chen Yun emphatically pointed out: "The duties of the Central Discipline Inspection Commission include: Those who violate party and government discipline should be resolutely dealt with according to party and government discipline. Those who break the law should be dealt with according to the law. The discipline inspection commissions at all levels should act in light of this principle. Otherwise, it would be a dereliction of duty." "The Discipline Inspection Commissions at all levels should make arduous efforts focused on going a good job of party rectification." It has been reported that Chen Yun expressed these views time and again at the meeting of the Political Bureau Standing Committee on 28 June and the Beidaihe conference in August.

Zhao Ziyang Also Expressed Dissatisfaction With the Central Discipline Inspection Commission [subhead]

While criticizing the Central Discipline Inspection Commission for meddling in too many affairs, Deng Xiaoping was tactful to say that "it would be disadvantageous to fostering a sense of legal system." To put it bluntly, some practices of the Central Discipline Inspection Commission contravene the state laws.

Zhao Ziyang was also discontented with the Central Discipline Inspection Commission for meddling in too many affairs. [paragraph continues]

In his speech delivered at the conference of governors on 16 June, Zhao pointed out:

SOME LOCALITIES HAVE GONE TOO FAR IN CERTAIN ASPECTS AS TO REGARD THE FLEXIBLE MEASURES TAKEN TO INVIGORATE THE ECONOMY AS VIOLATION OF FINANCIAL DISCIPLINE.

It is quite obvious who Zhao's remark is aimed at.

The problems mentioned by Deng Xiaoping and Zhao Ziyang are not rare. Moreover, some people who had connections with the Central Discipline Inspection Commission even violated the laws in the name of the commission. The following story took place in Shenzhen:

When the conservatives launched a nationwide offensive against the reformers of the special economic zones and other parts of the country under the pretext of attacking economic crime, the son of a chief leader of the Central Discipline Inspection Commission who worked in the Army, his sworn followers, and the son of the former vice chairman of the PLA General Political Department launched an attack, like the struggle waged during the Cultural Revolution, against the responsible person of the scientific and technological company jointly run by the Ministry of Railways and the Ministry of Foreign Economic Relations and Trade.

"Those Who Are Against Comrade Chen Yun Will Come to No Good End" [subhead]

First, they used the method of sneaking and writing anonymous letters to the CPC Central Committee and the Discipline Inspection Committees of the Ministry of Railways and the Ministry of Foreign Economic Relations and Trade lodging a false accusation against the responsible person of the company. Then, without authorization, they seized the company's chop and relieved the head of the personnel department of his post in the name of the party. They used paper strips to seal up archives and offices, seized all the powers of the company, and organized, in the name of the party branch, all staff members of the company to study Chen Yun's "Speech at the National Conference on Exchanging Experience in Correcting Party Style (29 June 1986)" and "Speech at the Sixth Plenary Session of the CPC Central Committee's Discipline Inspection Commission (24 September 1986)." They insinuated that those who are against Comrade Chen Yun will come to no good end.

After seizing power in the company, they made long distance calls from Shenzhen to Beijing almost every day, and sometimes several times a day. They openly declared: "The companies to be closed must be shut down and those to be executed must be shot." Moreover, they also made a bellicose remark saying that "the time is ripe."

Meanwhile, the Central Discipline Inspection Commission and the Discipline Inspection Committee of the Ministry of Railway respectively sent work teams to Shenzhen to collect evidence of the crime of the responsible persons. Behind closed doors, they encouraged the staff members to expose the economic and work style problems of the responsible persons. However, they did not discover anything useful.

Why was the responsible person of the company the target of their criticism?

It has been reported that the question is related to retaliation.



One day, the responsible person unintentionally discovered a young fellow embracing a female staff member of the company in the meeting room. Later, the female staff member (a demobilized soldier from Beijing) was dismissed. Another man was blamed by the responsible person for adopting too many daughters in Shenzhen. In addition, he promised to send some people to the United States to make observations for a project. Due to various reasons, the project was cancelled. The responsible person had the following complaints: I did not criticize their unhealthy tendencies. Conversely, they used the methods prevailing during the Cultural Revolution to attack me. A staff member of the company said: "It is really shocking to say that those who are against Chen Yun will come to no good end."

In their capacity as members of the Central Discipline Inspection Commission, those who attacked the responsible person of the company put on grand airs as if they could represent the state laws and the people in enforcing the law.

Following a "lawsuit" later, these people left Shenzhen for Beijing. Some joined the Ministry of Railways and others the China International Trust and Investment Corporation.

This example shows how far certain CPC cadres, including children of influential families, have gone in violating the law and discipline.

"Little Tricks" Played on Four Members of the Political Bureau Standing Committee [subhead]

Bo Yibo, who was a conservative in the past and who recently appeared in the guide of middle element, said at a closed-door meeting:

Some people have recently played tricks not only on the members of the Political Bureau but also on the members of the Political Bureau Standing Committee.

A friend who heard a report relayed only to the high-ranking CPC officials told me that Deng Xiaoping, Hu Yaobang, and Chen Yun received many anonymous letters. The problems of a number of Political Bureau members were exposed and "little tricks" were played on four out of the five members of the Political Bureau Standing Committee.

There were actually six members in the Political Bureau Standing Committee. With Ye Jianying's withdrawal, there are only five members left, including Hu Yaobang, Deng Xiaoping, Zhao Ziyang, Li Xiannian, and Chen Yun. Apart from Li Xiannian, the other four were all involved in the "trouble."

Hu Yaobang -- Some people said that Hu Yaobang's son Hu Deping meddled in the Wuhan Donghu Intellectual Resources Exploitation Company, which had some economic problems. This was not actually the case. Indeed, Hu Deping gave the Donghu company moral support and hoped that the company could exploit intellectual resources. Due to its failure in exploiting intellectual resources, the Donghu company started to do business. As a result, the company was involved in economic problems. This, however, has nothing to do with Hu Deping.

Deng Xiaoping -- Deng Xiaoping's son Deng Pufang was also involved in the rumors because he was in charge of several companies. Deng Pufang's companies recently did a great deal of good business. They also succeeded in doing business in raw silk which was attainable by other companies. Nevertheless, it is said that the income of the companies went to the China Fund for the Handicapped rather than Deng Pufang's pocket.



Zhao Ziyang -- There are many rumors about Zhao Ziyang's eldest son Zhao Dajun. However, as he is engaged in science and technology, the main task of the Shenzhen New Technology Development Company under his charge is to introduce advanced foreign science and technology. A Shenzhen periodical recently said that Zhao Dajun, who is a bit bookish, is "worthy of being the premier's son." I do not know whether this statement is exaggerated or not. However, there is no evidence so far to prove that Zhao Dajun is involved in economic problems.

Chen Yun -- Chen Yun's son Chen Yuan, who is a member of the Beijing Municipal CPC Committee, is free of economic problems. Some people said that he borrowed money to do business while he was a member of the Western District CPC Committee. It is still difficult to verify whether he is involved in economic problems. Some people complained about Chen Fang, another son of Chen Yun working in the Army, saying that he obstructed reform with his father's influence. It is also very difficult to verify this accusation.

There are also rumors about the family members of Ye Jianying, who has withdrawn from the Political Bureau Standing Committee. However, only Ye Jianying's son-in-law Liu Shikun has been arrested so far. It is said that Liu Shikun is involved in economic problems.

#### The Ins and Outs of Liu Shikun's Arrest [Subhead]

"Notes on a Northern Journey" reported the news about Liu Shikun's arrest in previous issues. I would like to make some additional remarks. Liu Shikun was suspected of reselling gold and the Public Security Bureau was aware of the fact. As a son-in-law of Ye Jianying, he was not arrested. Liu Shikun was arrested on 29 April this year when Ye Jianying was in a coma. Before Liu's arrest, he occupied two sets of apartments in Beijing's Fuxing Menwai Road. When he apartments were distributed to him, he refused to move in because he was discontented with the fact that the housing conditions of the rest of Ye Jianying's children were much better. For example, Ye Xuanning lived in the ministers' building. The ministers and the late Chen Yonggue and Ding Ling also lived there. It is said that the housing conditions of Liu Shikun's former wife Ye Xiangzhen were also better than his. For this reason, Liu had a lot of complaints. Although he moved into the apartments later, he often stayed overnight elsewhere. It is said that he lived with a woman called Lu in an army residential compound. The Beijing Municipal Public Security Bureau and the Ministry of State Security collected abundant evidence of Liu's economic crime by tracing him (and even using espionage methods of sending a female public security officer to make friends with Liu). In February this year, Liu Shikun suddenly received a telegram from Hong Kong asking him to go to Hong Kong at once because a relative in Hong Kong had been seriously injured in a traffic accident. Liu Shikun immediately submitted his application to visit Hong Kong to the Public Security Bureau. Believing that this was a false excuse invented by Liu in collaboration with his relative in Hong Kong, the Public Security Bureau rejected his application. Then, Liu realized the seriousness of his problems. Later, the public security officers discovered that Liu often dumped rubbish late at night or threw papers into the nightstool. Liu was not tried in public for a long time after his arrest. It is said that his problems can be solved only after Ye Jianying's death. Before that day, no one would dare harm any member of Ye's family.

#### Hu Qiaomu Writes Letters Pleading for Mercy [subhead]

The "little tricks" were played on the Political Bureau Standing Committee members, to say nothing of the Political Bureau members. I would like to say something about Hu Qiaomu's son Hu Shiying.

The exposure of Hu Shiying's economic problems is a "major action" rather than a minor one.

However, there has been no result of Hu Shiying's sentence (at least condemned to death with the sentence suspended) which was to be pronounced before September this year. Even the RENMIN RIBAO reporters were puzzled as they prepared to report the case. It has been reported that Hu Qiaomu once issued order to investigate the "leakage" incident. The so-called "leakage" referred to the exposure of his son's crimes. Hu Qiaomu clamored that Hu Shiying's arrest reported by "China's newspapers" in Hong Kong is the gravest scandal in the press circles since the founding of the PRC. Journalists from Beijing told me that Hu Qiaomu confused right and wrong. While Hu Qiaomu can shield his son, isn't it unreasonable to regard the exposure of his son's crimes as scandal? A cadre working in the propaganda department said that Hu Qiaomu wrote letters to the propaganda department (and possibly to other departments as well) when he heard that his son would be sternly punished. Those who had a chance to read Hu Qiaomu's letters said: Hu merely stressed that he was old and feeble, which actually meant that if his only son is executed, he will not be able to continue his family line. Thus, the people here say that Hu Qiaomu attempts to plead for mercy, but you cannot find a single word asking for mercy from his letters. Some people said sarcastically: You cannot but admire the literary talent of this "theoretical authority" of the CPC.

In fact that the case concerning Hu Shiying has been unsettled for a long time (some people say that it will possibly end up with nothing definite) also indicates many problems. Since it is so difficult to deal with the cases concerning Liu Shikun and Hu Shiying, can it be an easy job to carry out political and administrative reform, to separate party leadership from government administration, or to decentralize power?

#### Deng Has A Very Sincere Personal Relationship With Li Xiannian and Hu Qiaomu [subhead]

The most outstanding inner struggle of the CPC high echelons of leadership at the present stage is that between the reformers and the conservatives. There is a clear line of demarcation between the two parties but sometimes the line is not so clear. First, since they are not two diametrically opposed political organizations, even if they bear some semblance of an organization, they are not a solid entity. Second, each has its own members in the other side. There is a considerable tendency to reform on the side of the conservatives and the reformers are more obviously conservative in thinking and action in one or another way. Third, with different political views left aside, the two parties have a thousand and one links. Some reform contenders have a very sincere relationship with those inclining to conservatism. It can thus be seen that it seems not very appropriate to divide people into reformers and conservatives by judging their attitude toward reform. However, it may probably do if we take their basic attitude and tendency toward reform as a criterion for making a demarcation line between the two sections of people.

Over the last few years, people have found it hard to understand clearly the relationship between Deng Xiaoping on the one hand and Li Xiannian and Hu Qiaomu on the other, a problem as abstruse as a mystery. Their attitude toward reform is not the same. On the question of the reform, Hu Qiaomu is more conservative, obstinate, and rigid than Li Xiannian is. However, he has all along managed to retain his membership in the Political Bureau and his status as a "theoretical authority." Why is this so? The previous answer was that Hu Qiaomu had the backing of Chen Yun. But how long can Chen Yun's backing last? The other answer is that no one in the party high echelons of leadership can replace Hu Qiaomu's status as a "theoretical authority." However, through the several theoretical engagements over the last few years, is Hu Qiaomu's "authority" not already all gone? Not long ago a friend of mine who was in the know about the high echelons of leadership told me a "secret": Deng Xiaoping has a very good personal relationship with Li Xiannian and Hu Qiaomu.

Another friend said: Deng's personal contacts with Li and Hu is a tactic of disintegrating the conservatives while Li and Hu have to make friends with Deng in order to retain their power. I believe the two factors are probably true. Recently an interesting thing happened that reflected the good relationship between Deng Xiaoping and Li Xiannian.

#### Deng Xiaoping Has Saved Zhang Xianliang [subhead]

Following the publication of his novel "Half of Man Is Woman," Zhang Xianliang had to face a situation of being criticized. Some publications were ready to publish critical articles. At this critical juncture, there were two CPC high-ranking officials who accidentally save Zhang Xianliang. They were Li Xiannian and Deng Xiaoping.

One day Li Xiannian met with his youngest daughter and daughter-in-law Liu Yazhou. It happened that they discussed Zhang Xianliang's novel "Half of Man Is Woman." Being aware that some people at the lower levels were organizing forces to criticize the novel, Li Xiannian asked his daughter-in-law: What does the novel describe? Liu Yazhou said in reply: "It eulogizes the Xiaoping line." Later on Li Xiannian informed Deng Xiaoping of this remark. Hence, there was a complete turn for the better in the fate of the author.

After telling me these stories, my friend in the know said: It can thus be seen how important connections are. This also shows that "China today is still ruled by a man and the practice of one person laying down the law remain prevalent. These two phenomena have not yet changed."

I believe that as far as a country's political system is concerned, it is much easier to move from being democratic to totalitarian than from being totalitarian to democratic. The more power one has in his hands, the more reluctant he is to hand over or share his power. The reformers and the conservatives have something in common in this regard. Here lies the fundamental reason for the failure to smoothly carry out the political structural reform. This being the case, what will the economic reform which is expected to be carried out hand in hand with the political reform become? Will it or can it be carried out further? What will the consequences be if reforms are not thoroughly implemented?

What a miserable China! What a historical course of misery!

#### ZHANG JINGFU SUPPORTS BUILDING OF SPACE INDUSTRY

OW081146 Beijing XINHUA in English 1124 GMT 8 Oct 86

[Text] Beijing, October 8 (XINHUA) — China will accelerate its satellite launching service for foreign countries as a contribution to the peaceful use of outer space, State Councillor Zhang Jingfu said here today.

At a meeting to celebrate the 30th anniversary of the founding of China's astronautics industry, Zhang said, "we oppose the super powers' expansion of the arms race into outer space, and support people of the world who are using it for peaceful means."

Up to now, 17 foreign companies have contacted for the use of China's rockets to launch their satellites, according to the Ministry of Astronautics.



I. 9 Oct 86

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CHINA  
PRC NATIONAL AFFAIRS

"The country is trying to boost the development of its space industry by seeking international cooperation and importing advanced technology," Zhang added.

He called on Chinese specialists and technicians to develop and manufacture practical satellites and carrier rockets to serve the urgent needs of the national economy, culture, science and defense.

"To meet the worldwide challenge of the new technological revolution", he said, "Chinese scientists should closely watch the international space industry and do research to keep pace with it."

Vice-Premier Tian Jiyun, State Councillor Song Ping and other leading officials attended the meeting marking the 30th birthday of the industry and to recognize achievements made in the past 30 years.

Qian Xuesen, well-known rocket specialist and president of the Chinese Association for Science and Technology, said "What the scientists should think about is modernization, the world and the future."

Specialists at the meeting said, the country should shift high and sophisticated technology from military to civilian sectors, and apply engineering technology to technical upgrading and innovation as well as improve decision-making policies.

#### TELECOMMUNICATIONS TRAINING CENTER COMMISSIONED

OW081827 Beijing XINHUA in English 1616 GMT 8 Oct 86

[Text] Beijing, Oct. 8 (XINHUA) -- A center to provide training to Chinese engineers and technicians in posts and telecommunications was commissioned here this afternoon.

The Beijing Posts and Telecommunications Training Center will be the result of an agreement between the Governments of China and Japan signed in September 1984.

The training center will lay stress on developing and spreading new technology.

Courses will cover computers and communications, networks, digital exchanges (stored program control), radio and optical fiber communications.

The equipment in the center will be worth 22 billion Japanese yen.

According to another agreement, the Japanese side will send specialists every year to train Chinese teachers at the center within the next five years. Meanwhile, the center will also send teachers to Japan to be trained there.



Song Zhiyuan, Chinese vice minister of posts and telecommunications, and Kiyoshi Ozawa, Japanese permanent vice-minister of posts and telecommunications, cut the ribbon for a ceremony to mark the commission of the center.

#### NUCLEAR POWER PLANT EQUIPMENT CONTRACTS APPROVED

OW080902 Beijing XINHUA in English 0851 GMT 8 Oct 86

[Text] Shenzhen, October 8 (XINHUA) -- Contracts providing foreign equipment for the Daya Bay Nuclear Power Plant in south China's Guangdong Province were approved by Chinese authorities.

Contracts include a nuclear island equipment supply contract, nuclear fuel assembly supply contract, conventional island equipment supply contract and a project services contract.

The Guangdong Nuclear Power Joint Venture Company issued a notice yesterday informing the foreign suppliers of the decision.

The contracts were signed in Beijing on September 23 together with three loan agreements.

With the enforcement of the contracts, a company official said, construction of the nuclear power plant will progress.

#### FOREIGN FIRMS MAY GET INCOME TAX REDUCTIONS

OW081422 Beijing XINHUA in English 1249 GMT 8 Oct 86

[Text] Beijing, October 8 (XINHUA) -- Offices representing foreign firms in China are in for a pleasant surprise when the tax collector comes calling this year. The businesses will find a 33 percent reduction in their taxable income depending on how they calculate income and expenses.

Under the Chinese tax system, the tax department assess a permanent foreign office's taxable income at 15 percent of its gross income in case a profit and loss statement is not provided. The tax department has now revised its tax provisions and the percentage of taxable income was reduced to 10 percent of gross income on October 1.

"The move is aimed at encouraging foreign permanent offices to expand their business in China," a tax official told XINHUA.

In the spring of 1985 China established a comprehensive system of taxation for permanently based foreign branch offices.

The official said the tax provisions have helped attract foreign firms. The number of permanent foreign offices has increased from 900 to over 1,600 since 1985.

LI GUIXIAN ATTENDS ANHUI MEETING ON PETITIONS

OW260747 Hefei ANHUI RIBAO in Chinese 13 Sep 86 p 1

[By Xin Bin]

[Excerpts] The Anhui provincial party committee, the Standing Committee of the Anhui Provincial People's Congress, and the three General Offices of the provincial government jointly held a meeting on the work of handling the people's visits and petitions 6-9 September. More than 360 persons from the various prefectural, city, and county party committee, people's congresses, and governments and related units directly subordinate to the province attended the meeting. Li Guixian, secretary of the provincial party committee; Yuan Zhen, chairman of the provincial Advisory Commission; Su Hua, vice chairman of the provincial People's Congress Standing Committee; Shao Ming, vice provincial governor; Meng Yiqi, vice chairman of the provincial CPPCC Committee; and Han Xixing, deputy secretary of the provincial Discipline Inspection Commission, attended the meeting. Li Guixian and Su Hua spoke at the meeting. Fu Cheng, deputy secretary general of the provincial party committee, delivered a report. Zhao Huaishou, secretary general of the provincial government, gave a summing-up report of the meeting. [passage omitted]

The meeting summed up the major experiences in handling visits and petitions in recent years. It pointed out that the work of handling petitions and visits from the people must be arranged around the party's central task and protect the masses' legal right of reflecting to the leading organs the current situation and exposing problems by means of petitions and visits. It called on the leaders at all levels to fully realize the protractedness and importance of handling petitions and visits from the masses, attach importance to the work of handling petitions and visits, and effectively strengthen their leadership over this work. [passage omitted]

The meeting pointed out that major tasks of handling petitions and visits both at present and in the future are continuously implementing the party policies and handling well problems left over by history. Departments in charge of handling petitions and visits must devote the greater part of their energy to investigating and handling law cases, upholding the correct party style, promoting good social practices, and bringing into full play the role of petitions and visits from the people, thereby serving the reform and economic construction.

FUZHOU ANNOUNCES PREFERENTIAL LAWS FOR INVESTORS

HK290553 Hong Kong HONGKONG STANDARD (BUSINESS STANDARD) in English 29 Sep 86 p 1

[By Tong Ngan]

[Text] The Fuzhou City government in Fujian Province has announced new laws aimed at giving overseas investors preferential treatment over and above those already granted by Chinese state laws.

The latest issue of the CHINA BUSINESS INTELLIGENCE lists clauses in which favourable treatment is granted in matters of taxes and fees, property and sales, management and staff in Fuzhou's Economic and Technical Development Zone (DZ). These included:

A 15 percent income tax cut from national rates on Sino-foreign joint ventures, co-operative ventures and solely foreign-owned enterprises in the DZ, but those having been in operation for more than 10 years should get formal approval of the tax cut from the city tax bureau.

Also, no income tax on DZ enterprises for the first two years of turning a profit, with income tax being cut by 50 percent in the third, fourth and fifth years.

DZ enterprises also enjoy reduction-remission of local income tax -- the city government deciding on the merits of individual cases.

No income tax on that part of the profit any foreign investor derives from a DZ joint venture that is intended to remit out of China.

A foreign investor who owns no establishments in the DZ but derives income from individuals, interest, rent, license fees and other sources will be exempt from income tax on certain items of his income, or enjoy a 10 percent cut in the levies on other income.

For the supplier of funds and equipment at favourable terms and of advanced technologies who should enjoy more preferential treatment in tax obligations, the city government will also give due consideration.

Building materials, production equipment, raw materials and spare parts, vehicles and office equipment imported by DZ enterprises for their own use will be free of customs duties general tax, except those otherwise regulated by the central government.

But such duties and taxes will be reimposed on the imported materials and parts if they are used to make goods sold on the domestic market instead of being exported as originally intended.

Household furnishing and cars brought in by foreign businessmen working in DZ for their own use are exempt from customs duties and general tax on imports, within a reasonable limit.

Export products of the DZ enterprises will be exempt from export duties and the general tax, except those products whose export the Chinese government restricts.

The DZ encourages foreign business involved in it to supply new technologies and manufacturing techniques of new products and those capable of upgrading existing enterprises-plants [as published] in the city, Fujian Province, or in the country.

Investors bringing any such new technologies or techniques into the DZ are promised:

--Reduction or deferred collection of charges for the use of land;

--Preference to the supplier of such technologies or techniques when the DZ needs to import commodities from competing suppliers overseas (prices and qualities of the supplies being equal);

--Permission to sell a portion or the bulk of the products in the domestic market when produced by supplier's enterprises;

--A shorter period allowed for depreciation of fixed assets; and

--Preference in contract renewals.

Overseas Chinese from Hong Kong, Macao and Taiwan (or their enterprises) opening productive enterprises in DZ with their own capital may also invite their own relatives living in China to be their agents or work in their enterprises.

This privilege is additional to the usual preferential treatment to which they are entitled under Chinese laws.

Such representatives and employees are allowed to take permanent residence at places where the enterprises are located.

DZ enterprises enjoying preferential treatment in accordance with the above regulations are at the same time entitled to those privileges as provided for by Chinese laws, regulations and decrees.

#### JIANGSU CADRES URGED TO STUDY CPC RESOLUTION

OW080053 Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 6 Oct 86

[Excerpt] The Jiangsu provincial party committee called a meeting of cadres of provincial organs at and above the department and bureau levels in Nanjing on the afternoon of 6 October. Comrades Han Peixin and Gu Xiulian transmitted the guidelines of the 6th Plenary Session of the 12th CPC Central Committee at the meeting, which was chaired by Comrade Shen Daren.

Comrade Han Peixin pointed out: The resolution adopted by the 6th Plenary Session of the 12th CPC Central Committee has further expounded, in accordance with the basic tenets of Marxism and the realities in China, the strategic importance, fundamental tasks, and guiding principles for building a socialist spiritual civilization. The resolution, which is a programmatic document for intensifying the building of spiritual civilization during the new period in China, is of great immediate importance and far-reaching historical significance.

The meeting called on all provincial organs to organize cadres, staff, and workers to diligently study the resolution of the 6th Plenary Session of the 12th CPC Central Committee in order to set a good example for the people throughout the province. Leading cadres at various levels, in particular, should play an exemplary role in studying and comprehending the whole spirit of the document. [passage omitted]

#### JIANGXI ISSUES CIRCULAR ON PLACING SOLDIERS

OW080041 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 6 Oct 86

[Excerpt] The Jiangxi provincial people's government and the provincial Military District recently issued a joint circular calling on military subdistricts and People's Armed Forces departments in all prefectures, cities, and counties, as well as various departments under the provincial people's government, to do a good job in placing demobilized servicemen and volunteer soldiers being transferred to civilian work this year.

The circular said: Since early October, demobilized servicemen and volunteer soldiers being transferred to civilian work have successfully returned to their hometowns. All localities and departments should do a good job in helping them settle down and transfer to civilian work in accordance with pertinent regulations. [passage omitted]



SHANDONG PREPARES FOR VILLAGE PARTY RECTIFICATION

SK070935 Jinan Shandong Provincial Service in Mandarin 2300 GMT 6 Oct 86

[Text] On 5 October, Comrade Yang Xingfu, member of the Standing Committee of the provincial party committee and responsible person of the Party Rectification Office of the provincial party committee, told responsible persons of the provincial-level press units about the province's preparations for village-level party rectification. He emphatically pointed out: To ensure the smooth progress of village-level party rectification work to be carried out this winter and next spring, all county and city party committees and township and town party committees should now step up preparatory work in places where needed.

Comrade Yang Xingfu said: Our province will soon comprehensively carry out village-level party rectification. Participating in this party rectification will be 80,100 party branches of administrative villages, accounting for 90 percent of the total number of party branches of administrative villages throughout the province. More than 1.829 million party members will also participate in the work, accounting for 52.6 percent of the province's total number of party members. Doing a good job in this village-level party rectification is of great significance in bolstering the fighting strength of the party organizations, enhancing the political awareness of the rural party members, and promoting the building of the two civilizations in the rural areas. In party rectification, we should promote reforms and the development of the rural commodity economy, for these are the basic guiding principles to which we must always adhere. In our understanding and work, we should properly handle the relationship between party rectification and economic work and consider the work of promoting the commodity economy as one of the important tasks in educating party members.

In our work, we should prominently implement three tasks: First, secretaries of the county and city party committees should personally take charge of the party rectification work and adopt effective measures to grasp the village-level party rectification work. By no means should they shift the responsibility to units at each level.

Second, we should do a good job in training party rectification inspectors, party class propagandists, and party rectification liaison men.

Third, based on investigations and study, we should formulate work plans carrying out village-level party rectification. Responsible comrades of the party rectification office of the provincial party committee have divided the work into three groups. They have conducted investigations and study, summed up experiences in a timely manner, and provided the help necessary to places where problems have emerged.

Comrade Yang Xingfu said: This party rectification involves various spheres and many heavy tasks which require us to complete them within a short period of time. The provincial party committee has stressed that to concentrate energies on ensuring the successful accomplishment of party rectification work, in addition to urging the county, township, and town party committees to make careful arrangements and strengthening leadership over the work, the village-level party rectification period, all localities and departments should try their best not to hold meetings or reduce the number of meetings and not to make visits or conduct investigations.

SHANGHAI SETS UP FUND TO AID WAITING WORKERS

OW011936 Beijing XINHUA in English 1725 GMT 1 Oct 86

[Text] Shanghai, October 1 (XINHUA) -- A special fund will be set up in Shanghai, China's leading industrial center, to help workers waiting for jobs, Jiang Rong, chairman of Shanghai Trade Union Federation, told XINHUA today.

To benefit from the fund are union members from state-owned enterprises who are waiting for jobs after their factories go bankrupt, have completed their labor contracts, or have been dismissed by their employers.

Union members can also count on the fund for help when they meet unexpected difficulties, such as illness, the union chairman said.

The new contract labor system, effective as of today, gives workers greater freedom to choose jobs.

Nevertheless, he said, more social security -- such as his union fund -- would be needed to ensure the livelihood of contract laborers while they are waiting for jobs.

SHANGHAI RESIDENTS LEAD IN EARNING, SPENDING

OW060820 Beijing XINHUA in English 0807 GMT 6 Oct 86

[Text] Beijing, October 6 (XINHUA) -- In a recent three-city survey, the residents of Shanghai, the largest industrial city of China, lead the country in earning and spending, the "ECONOMIC DAILY" reported today.

Compared with residents of Beijing and Tianjin, each month the average Shanghai citizen spends 93.6 yuan of a 96.7 yuan (26 U.S. dollars) salary, the paper quoted an official of the State Statistic Bureau as saying.

In the first half of this year, food costs in the three cities accounted for more than 51 percent of the total cost of living, the official said.

"Although the average Shanghai dweller ingests 2,210 calories a day, the highest of the three cities, the protein intake in all three cities is still far below the international standard," he added.

Each month Shanghai residents also spend 12.5 yuan (3.4 U.S. dollars) on ready-made clothing or cloth and notions.

In all three cities, the cost of major appliances and housewares increased more rapidly than that of food.

In Beijing prices increased 50.5 percent in the first six months of this year, the official said, and for every 100 urban households in Beijing 62.6 have washing machines, 52.3 refrigerators, 42.5 colour T.V. sets, and 41 cameras.

In Shanghai, for every 100 homes each has at least 1 electric fan and 36.2 have stereo recorders.

SHANGHAI'S RUI XINGWEN APPROVES PLA JOB TRAINING

OW080527 Shanghai City Service in Mandarin 0100 GMT 7 Oct 86

[Excerpt] Rui Xingwen, secretary of the Shanghai Municipal CPC Committee, and Shanghai Mayor Jiang Zemin recently approved a plan by the Shanghai Garrison District to improve the civilian job skill training of servicemen. They called on the departments concerned to actively assist PLA units in making the training a success.

In recent years, Shanghai Municipality has mobilized forces from all quarters to help units under the Shanghai Garrison District in civilian job skill training for servicemen. [passage omitted]

RUI XINGWEN, JIANG ZEMIN AT SHANGHAI MEETING

OW080545 Shanghai City Service in Mandarin 0100 GMT 7 Oct 86

[Text] The Shanghai Municipal CPC Committee held a meeting of responsible cadres who are party members on the morning of 6 October. The meeting conveyed to the participants the guidelines of the 6th Plenary Session of the 12th CPC Central Committee and made arrangements for implementing the guidelines contained in the resolution of the plenary session.

According to the meeting, the municipal party committee has begun to draft a plan for Shanghai Municipality to implement the Resolution on the Guiding Principles for Building a Socialist Spiritual Civilization. In the course of drafting the plan, opinions will be widely solicited from inside and outside the party. The draft plan will be submitted to the Second Plenary Session of the Fifth Shanghai Municipal CPC Committee, to be held in late October, for its examination and approval.

Secretary Rui Xingwen and Deputy Secretary Jiang Zemin of the municipal party committee conveyed to the meeting the guidelines contained in the speeches delivered by central leading comrades at the 6th Plenary Session of the 12th CPC Central Committee. On behalf of the municipal party committee, Deputy Secretary Yang Di reported on how to study and implement the resolution of the central plenary session.

He said: The most important current task of the party organizations in Shanghai is to organize party members, cadres, and the people to carefully study the resolution. By studying it, we should comprehensively and accurately understand its content and essence. The resolution has answered many important questions concerning the current building of spiritual civilization. The whole party should identify its thinking with the guidelines of the resolution. In the course of the study, we should enhance our understanding and unify our thought. In addition, we should make the study help our work. While studying the resolution, all localities and departments should, in consideration of their actual situation, formulate their own plans for implementing the resolution.

Some 350 people attended the meeting. They included members of the municipal party committee, Advisory Commission, and Planning Committee; principal leading party and administrative cadres of all departments, committees, offices, districts and counties; leading comrades of PLA units in Shanghai; and those CPC Central Committee members, alternate members, and Central Advisory Commission members residing in Shanghai.

ZHEJIANG DRAWS UP ECONOMIC, SOCIAL PROGRAM

OW051035 Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 4 Oct 86

[Text] A strategic program for economic and social development in Zhejiang Province was finalized recently after 3 years' efforts. The Zhejiang provincial government has published and distributed the program across the province in a bid to solicit opinions for further revision and improvement. The program outlines the economic and social development objectives to be achieved by the end of the century, the major policies, and the overall arrangements for localities. It also sets forth the strategic objectives for modernization in the province from 1986 to 2000. The major strategic objectives are as follows:

1. To vigorously develop social productive forces and to promote coordinated economic and social development to enable economic growth and improvement of living standards in the province to outpace the national average;
2. To vigorously develop production for export, and to turn Zhejiang Province into an important base for production of export goods, as well as to build the province into a renowned scenic area and a culturally important province;
3. To lay a solid foundation for economic and social development in the 21st century.

The above objective will be accomplished in two steps. The Seventh 5-Year Plan will focus attention on laying the foundation for further economic development. The following decade will aim to achieve steady growth on the basis of the new economic structure and to secure substantial material and technical resources.

The program was drawn up by the Zhejiang Economic Research Center after substantial investigation and research. The program is a crystallization of the collective wisdom of the people of Zhejiang Province and a fresh attempt to change the government's function in the course of reform of the economic structure.



RADIO COMMENTARY VIEWS WEINBERGER'S PRC VISIT

OW080005 Taipei Domestic Service in Mandarin 2300 GMT 6 Oct 86

[Station commentary]

[Text] U.S. Secretary of Defense Weinberger began his world tour on 4 October. In Asia, he is scheduled to visit Korea, Pakistan, and the Chinese mainland. He is expected to arrive in Peiping on 7 October. At a time when there are constant changes in relations between the United States and Soviet Union in the Pacific region, Weinberger's activities will certainly attract attention.

Over the past six months, world attention has focused on Asia and the Pacific region. The U.S. attack in Libya indicates that the United States has begun to adopt a tough policy in order to cope with the changing world situation. Soviet chief Gorbachev is, no doubt, a man of flexibility. He has realized that international communism is not as influential as in the past. The United States has adopted a foreign policy backed by its actual strength. In addition, the Pacific region also plays an important role in the star wars plan. All this is harmful to communism.

The Soviet Union is not worried about the Chinese puppet regime favoring capitalism. It only fears that the Chinese people will lose their faith in the communist regime on the Chinese mainland and seek changes. Such changes can no longer be considered as mere internal contradictions. They will bring about a complete disintegration of the regime on the Chinese mainland. Therefore, over the past few years, the Soviet Union has tried a thousand and one ways to win over the Chinese Communist regime. For example, Gorbachev delivered a speech in Vladivostok, sent a high-ranking official to see Deng Xiaoping, and so on. All this is aimed at helping the Chinese Communists achieve internal stability.

Although the Chinese Communist regime understands the Soviet aim, as well as the fact that any communist regime hoping to follow the Western line will end in failure, it hopes to utilize U.S. influence in its dealings with the Soviet Union and to survive by making full use of the tensions between the United States and the Soviet Union. The Chinese Communist regime believes that the greater the tensions between the United States and the Soviet Union, the more China profits. If China sides with either the United States or the Soviet Union, it will lose the chance of gaining advantage from both sides. It definitely seeks to prevent this from happening. The Soviet Union today has tried its best to win over the Chinese Communists, while the Chinese Communists, in order to survive, do not want to offend either the United States or the Soviet Union.

Right now, the Chinese Communists are continuously taking the path of cooperating with capitalists, and the growth of the anti-communist forces on the mainland will eventually overthrow the puppet regime there. The Chinese Communists seek to make friends with the Soviet Union while at the same time they wish to maintain friendship with the United States. This indicates that they cannot afford to offend either side. If they fail to handle the situation well, they will probably lose their chance to act as opportunists. All this will in turn affect their stability in the country and their ability to control the country.

U.S. Secretary of Defense Weinberger's visit is obviously related to a report that the Chinese Communists have already agreed to allow U.S. warships to visit the mainland. It is almost certain that Weinberger's visit to the mainland will fail to yield specific results.

However, his visit will perhaps affect relations between the Republic of China and the United States and increase U.S. influence on the mainland. In this regard, we cannot but heighten our vigilance.

MARTIAL LAW, PARTY BAN 'MAY BE' LIFTED BY 1987

OW071007 Taipei CHINA POST in English 4 Oct 86 p 12

[Text] A Senior Kuomintang Official confirmed last night a UNITED DAILY NEWS report that martial law may be replaced by a national security law and existing rules governing political organizations may be revised to legalize such bodies before the end of the year.

The official, who asked not to be identified, told the CHINA POST that the recommendations were completed by a KMT-appointed subcommittee some time ago.

The proposals were submitted to a 12-man KMT reform committee, headed by former President Yen Chia-kan, the official said, but the review was delayed when Yen suffered a stroke.

The recommendations were submitted to President Chiang Ching-kuo, chairman of the KMT, Thursday for approval, he said.

The proposals will then be submitted to the Central Standing Committee of the KMT, which sets party policy, to be passed as resolution.

The UNITED DAILY NEWS, one of the largest Chinese-language dailies, yesterday said a national security law is needed in place of martial law to prevent Communist infiltration and safeguard national stability.

The National Security Law will eliminate some restrictions of martial law, it said.

Another leading Chinese-language daily, the CHINA TIMES, said martial law may even be lifted before the Year-end National Assembly and Legislative Yuan By elections.

Laws governing civic organizations and election laws may have to be revised to legalize political organizations, the UNITED DAILY said.

The KMT reform committee has been studying six so-called "sensitive issues" since march on instructions from President Chiang.

The six issues include lifting martial law, removing the party ban, allowing self-administration by local governments, rejuvenating legislative bodies through elections and improving the KMT's administrative efficiency.

DPP MEETS TO DISCUSS DIALOGUE WITH KMT

OW070933 Taipei CHINA POST in English 3 Oct 86 p 12

[Text] The ten organizers of the "Democratic Progress Party" held a closed-door meeting yesterday to discuss the "party rules and platform."

They were also reported to have discussed the possibility of resuming the deadlocked talks with the ruling party.

This was the first meeting of the organizers following an announcement by 135 nonpartisans here on Sept. 28 declaring the creation of the "Democratic Progress Party" (DPP).

A group of Kuomintang [KMT] legislators also held a meeting yesterday to discuss the nonpartisans' announcement to form the DPP.

The meeting was to gain legislators' opinions on the formation of the new political party and the possible resumption of talks between the KMT and the nonpartisans.

The Chinese-language INDEPENDENCE EVENING POST observed yesterday that the deadlocked talks between the ruling party and the nonpartisans seemed to have taken a new turn.

It is not unlikely that mediators can bring together the ruling party and nonpartisans to seek a fitting solution for their confrontation in the near future, the paper said.

#### To Renew Talks

OW070937 Taipei CHINA POST in English 4 Oct 86 p 12

[Text] The newly proclaimed nonpartisan "Democratic Progress Party" (DPP) will renew deadlocked talks with the ruling Kuomintang, but only as a political party, a DPP official said yesterday.

The move was welcomed by National Taiwan University professor Hu Fo, one of the four mediators of previous dialogues.

No date has been set, but Hu and the other mediators are reportedly working on it.

The discussions were suspended in June after two rounds because the nonpartisans charged that the jailing of several fellow nonpartisans was politically motivated.

The nonpartisans surprised the ruling party Sunday by defying a ban on formation of new political parties to announce the birth of the DPP.

Although the authorities have the power to prosecute the non-partisans for challenging the party ban, the KMT offered to resume the talks.

The nonpartisans conditionally accepted the offer after a meeting Thursday.

#### NEW POLITICAL PARTY TO PROTEST "ILLEGAL" PARTY

HK071416 Hong Kong AFP in English 1411 GMT 7 Oct 86

[Text] Taipei, Oct 7 (AFP) -- A group of right-wing extremists plan to form Taiwan's second illegal political party next week to protest the Taipei government's leniency towards the opposition for defying a party ban.

Chung Shu-nan [name as received], publisher of a right-wing magazine, told reporters at a Taipei hotel Tuesday that he was preparing to form the China Patriotic Party (CPP) to show support for the Taipei government and the ruling Kuomintang.

Mr Chung said the party would be made up of members of the 10,000-strong Patriotic Society of All the People (PSAP), a private right-wing organization whose members include veterans, farmers, youths and reservists.

Three Kuomintang lawmakers would also join the CPP to demand a crackdown forming the Democratic Progress Party (DPP) last month, Mr Chung said.

The CPP would launch a series of patriotic activities, but would not resort to violence against the opposition, some of whose members were radicals, Mr Chung claimed.

The party wanted to prove that too many political parties would only lead to chaos and that this was not the right time and place to form new parties, Mr Chung said.

The CPP would disband only if the opposition did the same, he added.

PSAP members gathered Monday in front of the Taipei City Council, cut their fingers and wrote a petition with their own blood, calling for the arrest of opposition members, which was later submitted to the parliament.

The Kuomintang maintains that martial law, imposed in Taiwan when the Nationalist Chinese retreated to Taiwan from the mainland after losing a civil war to the Chinese Communists, is necessary to prevent communist infiltration.

Meanwhile, after months of deliberation, an ad hoc committee appointed by the Kuomintang recommended lifting martial law and retain the party ban.

The proposals are to be studied on Wednesday by the Central Standing Committee, which sets Kuomintang policy.

#### PREMIER YU VIEWS ESTABLISHING NEW PARTIES

OW071455 Taipei CNA in English 1441 GMT 7 Oct 86

[Text] Taipei, Oct. 7 (CNA) -- Premier Yu Kuo-hua restated Tuesday that for the cause of national survival, the people's practice of their right of assembly must be restricted during the present extraordinary situation.

The government has repeatedly upheld the implementation of this policy to protect the national interest, Yu said in response to an interpellation from Legislator Fei Hsi-ping.

He stressed that, in boosting democracy, the people must reach a common understanding that, under these extraordinary circumstances of the nation, the establishment of new political parties would only harm the national interest and would not serve the goal of national unity in dealing with external challenges.



The statute governing the people's organizations during the nation's extraordinary period is enforced in accordance with the Constitution, the premier noted.

The implementation of the National Mobilization Law and Martial Law have actually complemented each other and are not in contradiction, Yu said, adding, therefore, that the mobilization law need not be revised.

#### EXECUTIVE YUAN REITERATES COMMITMENT TO DEMOCRACY

OW070340 Taipei CNA in English 0244 GMT 7 Oct 86

[Text] Taipei, Oct. 6 (CNA) -- It has been a consistent policy of the ROC [Republic of China] Government to promote democracy and constitutional rule in this country, the Executive Yuan said Monday. Even in the face of an extraordinary situation, it declared, the government has never changed its determination to implement constitutional rule.

However, in promoting democracy, the government has to take into consideration the nation's internal and external conditions before deciding what actions it should take. Under such circumstances, it is meaningless and unnecessary to work out a timetable for the implementation of democracy, the Yuan said in a written response to an interpellation by Legislator Chiang Peng-chien.

The temporary provisions effective during the period of communist rebellion is a special law worked out by the National Assembly to cope with an emergency situation. Although the law is still effective, the people should understand that its main aim is to protect the Constitution and should not regard its implementation as a derailment of constitutional rule, the Yuan said.

It is not fair for some people here to accuse the government of trying to suspend the Constitution by imposing this special law because the government's achievements in promoting democracy in Taiwan over the past 40 years have been widely recognized by the people here, the Yuan said.

The Yuan said that the government's major concern at the present stage is how to ensure the national security and to maintain social order, and while doing whatever is necessary to improve the state of these conditions, it will not hesitate to take any action to promote democratic rule.

Over-emphasizing the progress of democracy but neglecting the nation's present conditions will only provide the Peiping regime with opportunities to infiltrate this nation and drive wedges among the people here, thus undermining the nation's foundation for the implementation of democracy, the Yuan said.

#### VICE PRESIDENT URGES ANTICOMMUNIST EFFORTS

OW090353 Taipei CNA in English 0255 GMT 9 Oct 86

[Text] Taipei, Oct. 8 (CNA) -- Free nations in the Asian-Pacific area must have the determination to fight communism with coordinated efforts and commit themselves to economic liberalization and internationalization, Vice President Li Teng-hui said Wednesday.

Speaking at the opening ceremony of the conference on "Asia-Pacific Strategy 2000" in Taipei, Li said that after the year 2000, the Asian-Pacific region will continue to face the threat of communist expansionism.

The communist bloc, despite its internal conflicts, has taken coordinated actions in its attempt to conquer the free world, he said, adding that "no matter whether the Soviet Union and Communist China can improve their relations, their objectives toward the free world are identical and consistent." The security of the Asian-Pacific region will have a decisive influence on world peace, Li said. Since the free nations in this region are interdependent, the communist conquest of any one of them will endanger the security and stability of the whole world, he added.

"Only by establishing closer cooperation will they be able to stop communist expansion in the region," he stressed.

Li pointed out that the Republic of China [ROC] on Taiwan has not only shared the responsibility of ensuring the safety of the sea lanes in the region but also effectively contained the Chinese communist forces from carrying out military adventures.

"Such a contribution by the ROC has provided the free nations with more room for maneuver, thus helping the security and prosperity in this part of the world."

He further pointed out that the strategic position of the ROC has become more important since U.S. withdrawal from Vietnam in 1975, because Taiwan sits right at the central point of the island chain of defense in the western Pacific.

In the coming ten or so years, free nations in the Asian-Pacific region will continue to face difficulties arising from their rapid economic development, Li said.

To cope with these difficulties, "the free nations must develop their economic and trade relations under the principle of equality and reciprocity so that mutual trust can be fostered and benefits can be shared by all," he added. Li said the ROC has played an active role in the economic activities of the free world. "Of particular significance is the successful implementation of the three principles of the people by the ROC Government, which serves as a testimonial to the failure of communism on the Chinese mainland," he added. "It is our hope that before the arrival of the 21st century, nations in the Asian-Pacific area will all have achieved economic prosperity and be in close cooperation so that they will be able to maintain security in this area and lay a solid foundation for world peace," he said.

Cosponsored by the Society for Strategic Studies of the ROC, and the International Strategic Studies Association of the United States, the five-day conference is being attended by over 100 scholars from Asian-Pacific nations.

#### PARLIAMENTARY BY-ELECTIONS SLATED FOR DEC, JAN

OW021420 Taipei CHINA POST in English 28 Sep 86 p 8

[Text] By-elections for the National Assembly and Legislative Yuan will be held on Dec. 6 and those for the Control Yuan on Jan. 10, the Central Election Commission (CEC) formally announced yesterday.

Eighty-four National Assembly members, 73 Legislative Yuan members and 22 Control Yuan members will be elected, the commission said.

Members of the Control Yuan, the nation's highest watchdog body, are elected by Taiwan provincial assemblymen, Taipei and Kaohsiung City councilors.

The Taiwan Provincial Assembly will elect 12 Control Yuan members, while the Taipei and Kaohsiung City councils will elect five each, the CEC said.

Also, Overseas Chinese will elect 27 Legislative Yuan members and 10 Control Yuan members from their countries of residence, the commission said.

Election campaigns will start Nov. 20, the CEC said. Any candidate campaigning beforehand will be fined from NT\$1,000 to NT\$10,000, it added.

The ceiling for campaign funds was set by the commission at NT\$4.7 million for National Assembly candidates, NT\$5.8 million for Legislative Yuan candidates and NT\$876,000 for Control Yuan candidates.

#### RESTRICTIONS TO BE LIFTED ON GOLD TRADING

OW030253 Taipei CNA in English 0237 GMT 3 Oct 86

[Text] Taipei, Oct. 2 (CNA) -- The Republic of China has decided to lift its gold import control and liberalize the gold trade within the nation to speed its policy of economic liberalization.

Premier Yu Kuo-hua Thursday in an Executive Yuan meeting instructed the Ministry of Finance [MOF] to immediately work with the central bank and authorities concerned to draw up suitable regulations enabling free gold imports and liberal trade in gold in the domestic market.

Aside from continuing to control the nation's gold exports to prevent the outflow of capital, the premier said, the cabinet has decided to free its gold trade and thus carry out its goal of economic liberalization to speed the economic prosperity.

MOF Administrative Vice Minister Pai Pei-ying said after Yu's instruction that his ministry will give first priority to make efforts in revising regulations to pave the way for free trade in gold.

Gold became a commodity instead of reserve of foreign exchange when the nation revised its statutes for foreign exchange control in May of last year.

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